Annual Report
of PJSC “LUKOIL”
for 2023

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1. Board of Directors report on the results of the priority business directions development

1.1. Financial Performance

In 2023, despite an unfavorable macroeconomic environment and external production limitations, LUKOIL Group delivered strong financial performance thanks to its high resilience and strong vertically integrated business model.

2023 IFRS consolidated financial results, RUB billion

Revenue	7,928
EBITDA	2,005
Profit attributable to PJSC LUKOIL shareholders	1,155
Operating cash flow	1,824
Total debt	396
Net debt	(784)

Financial results were supported by ruble depreciation and positive inventory effect in refining segment. Our financial performance for the year was negatively impacted by lower production volumes, lower global hydrocarbon prices and refining margins.

1.1. Exploration and production

Macro Environment

In 2023, increased risks of a global recession against the backdrop of weak economic performance of developed economies, as well as high liquid hydrocarbon inventories amid steady supply in the oil market caused a decline in the average annual oil price from the record highs of 2022. Oil prices were supported by OPEC+ countries production cuts and higher geopolitical risk premium, including due to the developments in the Middle East.

Prices for Russian oil were supported by a reduction in the average annual differential of Urals to Brent crude oil as global supply chains were adapting to trade restrictions against oil supplies from Russia and the global market suffered shortages of heavier crudes in the wake of OPEC+ countries moves.

The average price of Urals was down by 19 percent year-on-year to USD 63 per barrel in 2023. However, the net price of Urals (net of mineral extraction tax and export duty) fell by 7.4 percent year-on-year due to the progressive formula used to calculate the MET and export duty rates, and positive tax lag effect.

The ruble appreciated against the US dollar by 24.4 percent on average to RUB 85.25 per dollar, supporting the ruble-denominated Urals price, which was up by 1.0 percent year-on-year despite a decrease in the US dollar-denominated price. The ruble-denominated Urals net price was up by 15.1 percent.

Russian oil exporter's revenue breakdown with standard taxation without incentives

	2021	2022	2023	Change 2023/2022
		USD per barrel		
Urals crude price	69.1	77.4	62.9	–18.8%
Mineral extraction tax	35.8	47.4	39.0	–17.9%
Export duty	8.1	6.8	2.5	–63.7%
Net oil price	25.2	23.1	21.4	–7.4%
		RUB per barrel		
Urals crude price	5,089	5,306	5,359	1.0%
Mineral extraction tax	2,640	3,252	3,322	2.2%
Export duty	597	469	212	–54.8%
Net oil price	1,852	1,585	1,825	15.1%

Reserves

LUKOIL Group has proved hydrocarbon reserves in nine countries. Most of the proved reserves are conventional, providing the Company with a significant competitive advantage that ensures low unit development and production costs. Moreover, LUKOIL is one of the leading international and Russian companies in terms of proved liquid hydrocarbon reserves life and volume.

As at the end of 2023, the Group's SEC proved hydrocarbon reserves totaled 15.1 billion boe, including 76 percent of liquid hydrocarbons and 24 percent of gas. The Company's proved hydrocarbon reserves life is 18 years. The Company has 59 percent of its proved hydrocarbon reserves classified as developed. These reserves can be extracted from existing wells using currently available technologies and equipment.

Concentrated mainly in West Siberia, 91 percent of the Group's proved hydrocarbon reserves are located in Russia. The proved hydrocarbon reserves life at the Company's Russian projects is 20 years.

Outside Russia, 32 percent of LUKOIL's proved reserves are located in Uzbekistan, where the Group is developing major gas projects. The increase in reserves of international projects in 2023 is mainly attributable to the extension of the service contract for the West Qurna-2 project in Iraq for another 10 years, taking of a final investment decision on projects within the Ghasha concession project in the UAE, and change in reserves for projects developed under production sharing agreements due to lower average annual hydrocarbon prices.

In 2023, LUKOIL added 408 million boe to its proved reserves through geological exploration and production drilling. The largest contribution was from the assets in West Siberia, the Caspian Sea, and the Urals. The conversion of contingent resources to reserves added 85 million boe to proved reserves.

Hydrocarbon reserves as at December 31, million boe

	2021	2022	2023	Change 2023/2022
Total proved reserves	**15,268**	**15,109**	**15,074**	**–0.2%**
Liquid hydrocarbons	11,572	11,520	11,451	–0.6%
Gas	3,696	3,589	3,623	1.0%
Developed	9,373	8,991	8,929	–0.7%
Undeveloped	5,895	6,118	6,144	0.4%
Russia	13,784	13,833	13,711	–0.9%
International projects	1,484	1,276	1,363	6.8%
Probable reserves	**6,057**	**6,159**	**6,323**	**2.7%**
Possible reserves	**2,851**	**2,938**	**2,696**	**–8.2%**

Licenses

Pursuant to the Russian legislation, hydrocarbon exploration and production operations require a subsoil license. LUKOIL continuously works to build its resource potential and drive its oil and gas asset portfolio performance by participating in auctions, acquiring equity in third-party entities, optimizing its license portfolio, amending existing license agreements, obtaining new licenses, and securing license renewals in reorganizations of its subsidiaries.

At the end of 2023, LUKOIL Group held 590 licenses in Russia, with 91 percent of them granting hydrocarbon exploration and production rights. The average remaining lifespan of these licenses was around 30 years. The remaining 9 percent of the Company’s licenses grant the right to prospect, explore, and appraise hydrocarbon deposits, with an average remaining lifespan of about two and a half years.

In the reporting year, 18 new licenses covering mostly the Group’s core producing regions were added to its portfolio. The Company expanded its license portfolio through the acquisition of license areas and assets in West Siberia, the Perm Territory, the Volga region, the Urals, and the Russian sector of the Caspian Sea. New licenses in the regions with a well-developed infrastructure enable maximum synergies with existing assets, reduce exploration and development costs, and speed up production launch.

In the reporting period, the Group’s license portfolio evolved as follows: 55 license amendments were registered to extend the underlying licenses, 30 licenses were reregistered due to the reorganization of LUKOIL Group’s oil and gas producing entities, and 15 licenses were returned upon their expiry. In addition, 310 license amendments were secured to update subsoil use terms, change license fees, and adjust the timelines and scopes of activities.

Number of LUKOIL Group’s licenses in Russia as at December 31

	2021	2022	2023
Total	**566**	**587**	**590**
Exploration and production	379	376	374
Prospecting and appraisal	53	58	54
Prospecting and appraisal, exploration and production	134	153	162

Exploration

LUKOIL Group carries out exploration in 13 countries, with a focus mostly on Russia.

Our exploration activities have consistently delivered good results. In 2023, LUKOIL completed 55 prospecting wells with a success rate of 80 percent, up from 76 percent in 2022. In Russia, this figure was 85 percent. By this metric, LUKOIL is a top performer among Russian oil and gas companies. Twenty-three deposits and seven new fields were discovered in 2023, including the major Ravil Maganov offshore oil and gas condensate field in the Russian sector of the Caspian Sea. Our high efficiency levels are driven by advanced exploration techniques and selection of the most promising areas based on research results.

LUKOIL conducts 3D seismic surveys to prepare an inventory of prospects in its exploration areas and to better understand the geology of previously discovered deposits. The volume of 3D seismic surveys reached 7,306 square kilometers in 2023. Exploration drilling totaled 243 thousand meters, up 16 percent year-on-year. During the year, exploration drilling grew mostly in the Volga region onshore and in the Timan-Pechora region. In 2023, exploration costs (across subsidiaries, including non-cash items) were RUB 32 billion.

Exploration

	2021	**2022**	**2023**	**Change 2023/2022**
2D seismic surveys, linear km	208	0	0	–
3D seismic surveys, square km	3,456	5,831	7,306	25.3%
Exploration drilling, km	165	209	243	16.0%
Exploration costs,[1] RUB million	30,999	24,190	32,119	32.8%

Exploration drilling in 2023

Total (100%)	**243 km**
West Siberia	51%
Urals	9%
Volga	14%
Timan-Pechora	10%
Other	1%
International projects	15%

Development and Production

LUKOIL Group produces oil and gas in eight countries. Our core operations are concentrated in four federal districts of the Russian Federation, specifically in the North-Western Federal District (the Nenets Autonomous Area, the Komi Republic, and the Kaliningrad Region), the Volga Federal District (the Perm Territory and the Republic of Tatarstan), the Urals Federal District (the Yamal-Nenets Autonomous Area and the Khanty-Mansi Autonomous Area – Yugra), and the Southern Federal District (the Volgograd Region, the Astrakhan Region, and the Republic of Kalmykia).

[1] *Across subsidiaries, including non-cash items.*

Hydrocarbon production in 2023 totaled 2.3 million boe per day, with liquid hydrocarbons accounting for 75 percent of the total, and natural and associated petroleum gas (APG) making up 25 percent. Excluding the West Qurna-2 project, production declined by 1.5 percent year-on-year driven by the dynamics of external oil production limitations arising from the OPEC+ agreement.

In 2023, development costs (across subsidiaries, including non-cash items) were RUB 522 billion.

Hydrocarbon production, thousand boe per day

	2021	**2022**	**2023**	**Change 2023/2022**
Total hydrocarbons	**2,197**	**2,333**	**2,308**	**–1.1%**
Liquid hydrocarbons	1,678	1,775	1,741	–1.9%
Gas	519	558	567	1.6%
Total hydrocarbons, excluding the West Qurna-2 project	**2,163**	**2,315**	**2,281**	**–1.5%**

Crude oil

Excluding the West Qurna-2 project, our 2023 oil and gas condensate production totaled 82.6 million tonnes, down by 2.8 percent year-on-year. The dynamics of the Company's oil production in Russia and from certain international projects was driven by the parameters of the OPEC+ agreement and additional voluntary oil cut commitments taken by certain OPEC+ countries in 2023.

In 2023, LUKOIL produced 78.6 million tonnes of crude oil and gas condensate in Russia, down by 3.0 percent year-on-year, which accounted for 14.8 percent of Russia's total production, as reported by the Russian Government.

2023 saw a ramp-up in production at priority projects as planned. In particular, we continued to increase oil production at fields with low-permeability reservoirs in West Siberia and at license areas subject to the tax on additional income (TAI). In 2023, oil production was launched at seven new fields in West Siberia, the Urals, and the Volga region.

Our international oil and gas condensate production, excluding the West Qurna-2 project, totaled 4.0 million tonnes, up by 0.7 percent year-on-year, primarily due to an additional interest acquired in the Shah Deniz project in Azerbaijan in 2022 and the effect of product sharing agreements amid lower oil prices in 2023.

Production drilling in 2023

Total (100%)	**3,922 km**
West Siberia	72%
Urals	12%
Volga	4%
Timan-Pechora	6%
Other	1%
International projects	5%

Oil production structure in 2023, excluding the West Qurna-2 project

Total (100%)	**82.6 million tonnes**
West Siberia	43%
Urals	20%
Volga	12%
Timan-Pechora	19%
Other	1%
International projects	5%

In 2023, the Group completed 3,922 thousand meters of production drilling, up by 2.3 percent year-on-year. In Russia, our drilling was up by 2.2 percent to 3,717 thousand meters. The increase was driven by the acquisition of an interest in assets in West Siberia in 2022; excluding this deal, our drilling in Russia declined due to lower oil production volume driven by changes in external limitations under the OPEC+ agreement. We commissioned 1,174 new oil production wells, including 1,101 in Russia, where 31 percent were horizontal wells. Operating oil production well stock in use totaled 30 thousand wells as at the end of the reporting year.

Natural gas

Gas production structure in 2023

Total (100%)	**35.2 billion cubic meters**
West Siberia	37%
Urals	4%
Volga	5%
Timan-Pechora	5%
International projects	49%

In 2023, gas production came in at 35.2 billion cubic meters, up by 1.5 percent year-on-year.

Overall 2023 gas production in Russia totaled 18.1 billion cubic meters, up by 2.4 percent year-on-year as a result of the acquisition of production assets in West Siberia in 2022.

Gas production from our international projects rose by 0.6 percent to 17.0 billion cubic meters due to the acquisition of an additional interest in the Shah Deniz project in Azerbaijan in 2022 and the effect of product sharing agreements amid lower gas prices in 2023.

1.2. Refining, Marketing and Distribution

Macro Environment

In 2023, the oil refining market environment deteriorated compared to the previous year's all-time highs, driven by European average annual crack spreads for diesel fuel tightening by one third as the market adapted to trade restrictions on petroleum product imports from Russia as well as by an economic slowdown in Europe. Refining margins were supported by lower price discounts for fuel oil due to global supply shortages of sour crudes. As a result, in 2023, the Brent benchmark refining margin in Europe decreased to USD 17 per barrel from 2022, still staying well above its pre-2022 levels.

In 2023, the benchmark refining margin in the European part of Russia was down by almost a third year-on-year to approximately USD 19 per barrel, mainly due to lower Urals differential to Brent and lower compensations paid under the damper mechanism for motor fuel, in particular due to regulatory changes.

Oil Refining

LUKOIL Group owns four refineries in Russia (in Perm, Volgograd, Nizhny Novgorod, and Ukhta) and two refineries in Europe (Romania and Bulgaria) and has a 45-percent interest in a refinery in the Netherlands. The aggregate capacity of these refineries is 65.0 million tonnes per year (excluding mini-refineries).

In 2023, throughput at the Group's own refineries totaled 60.7 million tonnes compared to 70.1 million tonnes in 2022. Lower refining volumes were due to the sale of ISAB Refinery in Italy. Excluding ISAB Refinery, our refining throughput slipped by 2.1 percent due to lower utilization rates at European refineries after all-time high refining margins in 2022.

Throughput in 2023 totaled 72 percent of LUKOIL's total oil production. Refineries in Russia accounted for 73 percent of total throughput volumes.

In 2023, we maintained our consistent efforts to explore and implement operational excellence initiatives focused on increasing capacity and conversion of secondary processes, enhancing production rates, streamlining cross-refinery engagements, driving energy efficiency gains, improving equipment availability rates, and debottlenecking logistics constraints.

Refineries in Russia

In 2023, throughput at the Group's refineries in Russia grew by 0.4 percent year-on-year to 44.2 million tonnes. Light product yield at Russian refineries (excluding mini-refineries) was 73.0 percent in 2023, up from 71.2 percent in 2022. The increase was driven by the launch of a residue conversion complex at the Nizhny Novgorod Refinery in mid-2022. The refining depth (excluding mini-refineries) grew to 90.6 percent from 90.1 percent in 2022.

The capital expenditures of the Group's refineries in Russia totaled RUB 31 billion in 2023, down by 15.8 percent year-on-year, mainly due to the schedule of repairs at the refineries.

Refineries in Europe

In 2023, throughput at LUKOIL's refineries in Europe totaled 16.5 million tonnes compared with 26.0 million tonnes in 2022. The change was due to the sale of ISAB Refinery in Italy as well as optimized utilization rates at refining assets after a period of record-high refining margins in Europe in 2022.

During the year, the refining depth at the Group's European refineries grew to 95.7 percent from 90.8 percent in 2022, while the light product yield came in at 78.5 percent, representing an increase from 73.5 percent in 2022. The change was driven by the sale of ISAB Refinery.

In 2023, we implemented a number of projects at our European refineries to improve efficiency, mainly by reducing energy consumption and non-energy operating costs as well as by optimizing the feedstock mix and utilization to reflect the market environment, trading and logistics constraints.

Capital expenditures of the Group's refineries in Europe totaled RUB 7 billion in 2023, down by 19.5 percent year-on-year. The change in capital expenditures was due to the schedule of repairs at the refineries.

Refinery throughput and output of petroleum products at LUKOIL Group refineries

	2021	2022	2023	Change 2023/2022
Refinery throughput, thousand tonnes	**62,959**	**70,056**	**60,700**	**–13.4%**
Petroleum products output, thousand tonnes	**60,015**	**65,766**	**57,467**	**–12.6%**
Light product yield	73%	72%	75%	+3 p.p.
Fuel oil yield	7%	9%	7%	–2 p.p.
Refining depth	92%	90%	92%	+2 p.p.
Nelson Index	8.7	9.0	8.7	–3.3%

Lubricant Production and Marketing

LUKOIL Group produces lubricants at nine of its own sites, two joint ventures, and 25 third-party plants.

The Group's production of base lubricants and components decreased by 13 percent year-on-year to 696 thousand tonnes in 2023. Production of finished lubricants declined by 21 percent year-on-year to 524 thousand tonnes, mainly due to lower output of marine lubricants amid trade restrictions. Sales of premium lubricants for motor engines and industrial uses grew by 27 percent thanks to efforts to expand the share of premium products in the sales mix and develop Teboil sales.

In 2023, to support the production of finished lubricants using proprietary additives, we launched the Additive Research Lab in Volgograd, providing an in-house platform for developing advanced functional additives and premium additive packages.

In 2023, the Company continued projects at its production sites in Russia to upgrade its facilities, further improve product quality, and enhance industrial safety. For instance, a production facility retrofit project in Perm entered its final stage. In Torzhok, we worked on ramping up the capacity and expanding the product mix of the lubricant plant, with as many as 66 new products developed, tested, and launched at this site during 2023.

One of LUKOIL Group's key priorities is to build up its R&D capabilities, support technology innovation, and enhance its product range to match modern demands.

A shared center of competence was launched in Torzhok in 2023 to develop and test lubricants. This technologically advanced R&D center offers over 160 pieces of advanced high-tech equipment supporting 300 types of tests. The center's equipment and capabilities enable as many as 12 thousand tests of products across all segments annually.

In 2023, we introduced 106 new products and developed 580 formulations. We had over 800 products within the lubricants category at the end of 2023.

The Company's greases comply with modern global industry requirements and the German Association of the Automotive Industry (VDA) standard. LUKOIL's products are developed to meet the requirements of leading global original equipment manufacturers (OEMs).

Working in close contact with automotive manufacturers is a key aspect that enables the Company to develop advanced high-performance products to match future requirements of the world's leading companies in this industry and supply them to plants and dealerships. It helps bolster our R&D capabilities, drive technology innovation, and create sophisticated greases, bringing us closer to a stable sales market for our products.

As part of expanding our cooperation with Chinese car manufacturers, we have launched supplies to HAVAL; our lubricants have been homologated in China by GWM's headquarters for internal combustion engines in HAVAL, Tank, and Great Wall vehicles. The Company has also successfully completed tests of its motor oils in Chery vehicles and has been nominated to supply an extended lineup of motor oils for Chery Group's dealer network in Russia.

In 2023, we maintained our efforts to enhance our R&D capabilities in designing liquids for electric vehicles. For instance, we designed liquids for electric and hybrid vehicles, expected to hit the market in 2024.

In the industrial segment, during the year, we continued our supplies to Komatsu and XCMG, the world's largest manufacturers of construction and mining machinery. We were nominated to supply original lubricants to SDLG (LGCE), a Chinese manufacturer of construction machinery operating a network of service centers across Russia. The Company has expanded its partnerships with a number of agricultural machinery manufacturers.

We continued enhancing our service and logistical solutions for customers and partners as well as incorporating digital solutions into our business processes.

Production of base lubricants, components, and finished lubricants, thousand tonnes

	2021	**2022**	**2023**	**Change 2023/2022**
Base lubricants and components production	848	797	696	–12.7%
Finished lubricants production	646	661	524	–20.7%

Base lubricants and components production in 2023

Total (100%)	**696 thousand tonnes**
For blending of finished lubricants	54%
For sale	46%

Finished lubricants production in 2023

Total (100%)	**524 thousand tonnes**
Russia, Perm	28%
Russia, Volgograd	12%
Russia, Tyumen	7%
Russia, Torzhok	7%
Finland	3%
Austria	5%
Turkey	7%
Romania	2%
Kazakhstan	6%
Third-party facilities	23%

Gas Processing

LUKOIL Group processes gas and natural gas liquids (NGLs) at two gas processing plants (GPPs) in West Siberia and the Timan-Pechora region, as well as at its Perm and Volgograd Refineries and the Stavrolen petrochemical complex in the Stavropol Territory. The Group's GPPs process the associated petroleum gas (APG) produced by LUKOIL into liquid hydrocarbons and marketable gas, and treat natural gas coming from the Group's fields.

In 2023, our gas processing and treatment volume exceeded 4.0 billion cubic meters. The positive year-on-year momentum was driven by an increase in APG production across the Group's Russian entities.

Our 2023 output of liquefied petroleum gases and liquid hydrocarbons at the Group's GPPs was 1.4 million tonnes, and the marketable gas production amounted to 2.3 billion cubic meters.

Gas processing and treatment in Russia, million cubic meters

	2021	**2022**	**2023**	**Change 2023/2022**
Total	3,685	3,473	4,023	15.8%
Lokosovsky GPP	1,059	952	1,162	22.0%
Perm Refinery's gas processing complex	1,242	1,153	1,300	12.8%
Volgograd Refinery's gas processing complex	249	192	340	77.2%
Usinsky GPP	174	182	227	24.6%
Stavrolen gas processing complex	961	994	994	0.0%

Petrochemicals

LUKOIL Group produces petrochemicals at two plants in Russia and at its refinery in Bulgaria. Our output includes a wide range of polymers, organic synthesis products, and other petrochemicals. LUKOIL meets a significant portion of domestic demand for various petrochemicals and is also a large petrochemicals exporter to more than 20 countries.

In 2023, our petrochemicals output was 1.0 million tonnes, with the year-on-year change mainly due to the sale of ISAB Refinery.

Petrochemicals output

	2021	2022	2023	Change 2023/2022
Marketable products output, thousand tonnes	**1,134**	**1,227**	**985**	**–19.7%**
Polymers and monomers	40.4%	38.1%	46.6%	+8.5 p.p.
Organic synthesis products	38.6%	38.3%	29.2%	–9.1 p.p.
Pyrolysis products	20.9%	23.4%	23.8%	+0.4 p.p.
Other	0.2%	0.2%	0.3%	+0.1 p.p.

Petrochemicals output in 2023

Total (100%)	**985 thousand tonnes**
Stavrolen	64%
Saratovorgsintez	20%
Burgas Refinery	9%
ISAB Refinery (sold in 2023)	7%

Power Generation

LUKOIL's power generating facilities are located in Russia, Uzbekistan, and a number of European countries. Our aggregate power generation capacity, excluding the West Qurna-2 project, is 11.4 GW, with commercial power generation accounting for 84 percent of the total, and supporting power generation for the remaining 16 percent.

Electric power generation in 2023

Total (100%)	**44,555 million kWh**
Commercial power generation	84%
Supporting power generation	16%

Commercial power generation

LUKOIL Group's main commercial heat and power generating facilities are located in the European part of Russia and in the Urals. In 2023, our commercial electricity generation totaled 37.4 billion kWh, while heat supplies totaled 12.9 million Gcal.

In 2023, LUKOIL continued the upgrade of three units at Krasnodar CHPP. The project is part of the CSA-2 program (the upgrade investments are recovered through a preferential electric capacity tariff), and it calls for full replacement of steam turbines and boiler equipment, which will significantly improve the plant's operating performance and extend its service life. In 2023, power unit No. 1 was commissioned on completion of an upgrade and comprehensive tests. We also continued our upgrade of power units No. 2 and No. 3. In particular, we have completed manufacturing a steam turbine and a boiler unit to upgrade power unit No. 3 and developed design documentation.

The increase in electricity output and heat supplies in 2023 was driven by the consolidation of PJSC EL5-Energo acquired by the Company in late 2022.

Commercial electricity output and commercial heat supplies

	2021	2022	2023	Change 2023/2022
Electricity, million kWh	**15,801**	**16,808**	**37,385**	**122.4%**
Including renewable power generation, million kWh	1,008	1,057	2,107	100.6%
Heat, million Gcal	**10.2**	**9.6**	**12.9**	**+34.4%**

Commercial electricity output in 2023

Total (100%)	**37,385 million kWh**
Russia	97%
Outside Russia	3%

Commercial heat supplies in 2023

Total (100%)	**12,933 thousand Gcal**
Russia	100%
Outside Russia	0%

Renewable power generation

Renewable power generating facilities also contribute to commercial power generation, with their combined installed capacity totaling 704 MW as at 2023-end.

In **hydropower generation**, the Group's core assets comprise five hydroelectric power plants (HPPs) located in Russia with a combined installed capacity of 295 MW and a combined output of 1,061 million kWh in 2023 (including the small 1.5 MW HPP on the Beshenka River commissioned in 2020). In 2023, the Company commissioned hydropower unit No. 1 as part of Tsimlyanskaya HPP upgrade, improving reliability and security as well as overall performance of the hydroelectric power plant.

We operate **solar power plants** (SPPs) in Russia, with a total capacity of 32.5 MW, and also in Romania, Bulgaria, Austria, Belgium, and Uzbekistan, with an aggregate capacity of 11 MW. The solar farms are built on unutilized industrial sites across refineries and filling stations. In 2023, their total electricity output was 52 million kWh.

In 2023, we commissioned the second stage of the solar power plant on the observation deck of the Company's head office in Moscow, ramping up its capacity from 44 kW to 59 kW. All electricity generated is fed into the building's power grid.

A number of solar power plants were installed at petroleum product supply facilities during the year. Solar installations were also built on roofs of administrative buildings at a tank farm in Astrakhan (Russia), with a total capacity of 91 kW. A 15 kW solar power plant was installed in Tashkent (Uzbekistan). The Company has decided to implement similar projects in Uzbekistan, taking into account the local incentive system sponsored by the government to promote renewable-energy projects and considering the success of existing projects.

Our core **wind power** assets include wind farms in Russia (Kolskaya and Azovskaya) and Romania (Land Power), with a total capacity of 376 MW. Kolskaya WPP with a total installed capacity of 202 MW is located in the Murmansk Region and is the world's most powerful wind farm beyond the Arctic Circle. The first stage of the 170 MW Kolskaya WPP was put into commercial operation at the end of 2022, with the second stage put onstream in 2023. The plant features 57 wind turbines and covers 257 hectares overall. Kolskaya WPP was built under a government-sponsored renewables support program (RES CSA) and in accordance with the agreement signed with the Murmansk Region to develop renewable energy. The project has been assigned the status of a strategic investment project in the region.

Renewables made up approximately 6 percent of the Group's total commercial power generation in 2023.

Supporting power generation

Development of self-generation at fields and plants helps the Group reduce its electricity costs and achieve more efficient APG use, for example, as a fuel for gas-fired power plants.

In 2023, supporting power generation by the Group totaled 7,169 million kWh, or 35 percent of LUKOIL's total electricity consumption for production purposes.

Power consumption by the Group's production entities in 2023

Purchased	65%
Self-generated	35%

Wholesale and Trading

LUKOIL sells crude oil, natural gas, and petroleum products in the domestic and international markets, distributing optimized flows to suit the market environment. We own pipelines and crude oil and petroleum product transshipment facilities, thus minimizing our transportation costs. A well-developed and effective trading arm within the Group deals in both the Group's crude oil and petroleum products and purchased hydrocarbons.

In 2023, combined sales of crude oil, petroleum products, gas products, and petrochemicals totaled 128.6 million tonnes, down from 134.1 million tonnes year-on-year. The drop in sales was caused by lower output of petroleum products at the Group's European refineries. Our gas sales totaled 25.9 billion cubic meters, up 0.5 percent year-on-year.

Crude oil

In 2023, our sales of crude oil were 51.7 million tonnes, up 4.8 percent year-on-year. The rise in sales was driven by higher crude oil production outside Russia, lower throughput of own feedstock at European refineries (due to the sale of ISAB Refinery in Italy), and optimized utilization rates at the Group's European refineries after record-high refining margins in 2022. Lower inventories also contributed to the increase in sales. Markets outside Russia accounted for 97.6 percent of our crude oil sales volumes.

In 2023, our crude oil exports from Russia stayed virtually flat year-on-year at 35.3 million tonnes. Domestic sales of crude oil decreased from 1.7 million tonnes in 2022 to 1.2 million tonnes in 2023. International crude oil sales rose to 50.5 million tonnes, or by 6.0 percent year-on-year, due to lower use of own feedstock at the Group's European refineries.

In 2023, crude oil supplies to the Group's refineries in Russia totaled 44.2 million tonnes, up 0.4 percent year-on-year. Crude oil supplies to the Group's refineries in Europe totaled 15.5 million tonnes in 2023, down 37.5 percent year-on-year due to lower throughput.

Oil supplies and sales, million tonnes

	2021	**2022**	**2023**	**Change 2023/2022**
Oil sales	95.8	49.3	51.7	4.8%
In Russia	2.7	1.7	1.2	–28.2%
Outside Russia	93.1	47.6	50.5	6.0%
Supplies to LUKOIL's Russian refineries	42.6	44.0	44.2	0.4%
Exports from Russia	31.0	35.4	35.3	–0.3%
Supplies to LUKOIL's European refineries	18.3	24.8	15.5	–37.5%

Petroleum products

Sales of petroleum and gas products amounted to 75.5 million tonnes in 2023. The year-on-year decrease was driven by the sale of ISAB Refinery in Italy and optimized utilization rates at the Group's European refineries.

Sales of petroleum products in Russia accounted for approximately 34 percent of total sales, coming in at 25.5 million tonnes, or up 9.3 percent year-on-year. Retail sales of petroleum products in Russia were up 9.3 percent year-on-year, hitting an all-time high of 11.9 million tonnes. The increase in domestic retail sales was due to record-high utilization rates at the Group's Russian refineries, marketing initiatives, and expansion of our filling station network through acquisitions in 2022.

In 2023, exports of petroleum products from Russia were down 8.4 percent to 17.8 million tonnes, driven by stronger domestic sales as production volumes remained stable.

A total of 66 percent of LUKOIL's petroleum products were sold in the international market, compared to 72 percent in 2022. In 2023, wholesales outside Russia totaled 46.0 million tonnes, down year-on-year due to the sale of ISAB Refinery in Italy. Retail sales outside Russia went up by 0.7 percent to 4.1 million tonnes.

Sales of petroleum and gas products, million tonnes

	2021	**2022**	**2023**	**Change 2023/2022**
Total	**110.7**	**83.1**	**75.5**	**–9.1%**
Russia	23.6	23.3	25.4	9.3%
Outside Russia	87.1	59.8	50.1	–16.3%

Exports of petroleum and gas products, million tonnes

	2021	2022	2023	Change 2023/2022
Total	**17.6**	**19.4**	**17.8**	**–8.4%**
Diesel fuel	9.2	9.4	8.7	–7.3%
Gasoline	0.2	0.8	0.5	–40.1%
Jet fuel	0.02	0.04	0.1	129.5%
Lubricants	0.6	0.5	0.4	–17.8%
Gas products	0.6	0.4	0.5	15.9%
Fuel oil	3.3	3.7	3.3	–11.5%
Other	3.7	4.6	4.3	–5.1%

Petrochemicals

In 2023, LUKOIL Group's petrochemicals sales totaled 1.3 million tonnes, down 18.0 percent year-on-year. The decrease in sales outside Russia was partially offset by a 0.8 percent increase in domestic sales. In 2023, the Company took steps to change product qualitative parameters, which enabled us to expand both domestic and export sales channels. The set of measures taken included developing and implementing mutual supply arrangements for various petrochemicals with major oil and petrochemical companies and diversifying traditional export destinations.

Natural gas

In 2023, LUKOIL Group sold 25.9 billion cubic meters of gas (natural gas, APG, and dry stripped gas), up 0.5 percent year-on-year. Russia accounted for 38 percent of the Group's total gas sales volumes, at 9.9 billion cubic meters, of which 8.1 billion cubic meters were sold to Gazprom Group. International gas sales volumes totaled 15.9 billion cubic meters. The share of international sales in total gas sales volumes added2 p.p. year-on-year to 62 percent.

Gas sales, million cubic meters

	2021	2022	2023	Change 2023/2022
Total	**27,507**	**25,734**	**25,854**	**0.5%**
Russia	11,109	10,308	9,917	–3.8%
To Gazprom Group	9,281	8,443	8,133	–3.7%
To other consumers	1,828	1,865	1,784	–4.3%
Outside Russia	16,398	15,426	15,937	3.3%

Priority Sales Channels

Retail sales

LUKOIL sells the bulk of its petroleum products in the retail market via its well-diversified retail network of 5,258 filling stations located in 19 countries.

Our main focus in retail during the year was on enhancing customer service, boosting non-fuel sales, improving efficiency, and maximizing free cash flow. We continued to upgrade the filling station network and optimize the station format.

To keep abreast of current trends such as improving motorway service quality to meet increased consumer demands, the Company has transformed its approach to developing its filling station network by switching from the quality fuel retailer concept to a concept of a one-stop shop provider of all services demanded by motorists – "everything under one roof", from the construction of filling stations on properties shared with third-party service providers to the development of own comprehensive multi-purpose sites with an extended range of customer services to guarantee premium service quality.

Deploying such facilities will set the Company apart from its competition as the developer of unique motorway service sites while boosting its corporate image by building a reputation as not just a quality fuel retailer but also a service provider focused on offering the best possible customer experience to filling station customers.

The new concept was already tested in a number of flagship retail projects delivered in 2023:

- Construction of flagship filling stations on the new M-12 Federal Highway Vostok and on the Leningradskoye Highway in Moscow
- Commissioning of new-format filling stations at key federal highways: M-11, M-12, M-4, Saint Petersburg Ring Road, as well as Moscow Ring Road and Central Ring Road in the Moscow region
- The construction of two twin filling stations on Uzbekistan's key highway M-39 between Tashkent and Samarkand, with a traffic flow of over 40 thousand vehicles a day. Our multi-purpose filling facilities designed to Russian standards and customized to match the specific region's climate profile and cultural sensitivities will pioneer this innovative format in Uzbekistan.

In 2023, our retail sales of petroleum products totaled 16.0 million tonnes. Retail sales volumes of petroleum products in Russia were 11.9 million tonnes, up 9.3 percent year-on-year. The increase in retail sales was including due to new customers attracted by higher service levels (relax and beauty areas, indoor playgrounds, shower, laundry, and baby care rooms installed across filling stations), national and regional marketing campaigns to promote sales of fuel and non-fuel goods and services, as well as improvements to the flagship catering concept. In 2023, international retail sales were 4.1 million tonnes, up by around 1.0 percent year-on-year.

Retail sales of petroleum products

	2021	2022	2023	Change 2023/2022
Number of filling stations[2] as at December 31	**4,965**	**5,278**	**5,258**	**–0.4%**
Russia	2,447	2,788[3]	2,800	0.4%
Outside Russia	2,518	2,490	2,458	–1.3%
Total retail sales volumes, thousand tonnes	**13,886**	**14,930**	**15,966**	**6.9%**
Russia	9,870	10,848	11,855	9.3%
Outside Russia	4,016	4,082	4,109	0.7%
Average daily sales volumes at LUKOIL's filling stations, tonnes per day per station	**9.9**	**11.1**	**11.5**	**3.7%**
Russia	12.6	12.8	13.2	3.0%
Outside Russia	6.5	6.6	6.7	1.2%

Note: The Group's petroleum product supply entities continued to optimize its fuel stations network, including by cutting down the number of low efficient leased and franchised stations outside Russia.

[2] Including owned, leased, franchised, and suspended stations.
[3] Including acquisitions.

Breakdown of retail sales volumes of petroleum products in 2023

Total (100%)	**16.0 million tonnes**
Russia	74%
Europe	20%
Nearby countries	5%
USA	1%

Branded fuels

LUKOIL actively promotes sales of its fuels under the ECTO trademark, which offers improved efficiency and environmental performance. Our sales of ECTO fuels in Russia grew by 6.4 percent during the year. In 2023, sales of improved, higher performance ECTO 100 gasoline in Russia were up 18 percent year-on-year.

Non-fuel goods and services

In 2023, we continued our efforts to boost retail sales of non-fuel goods and services. Gross profit from LUKOIL-branded non-fuel sales at filling stations in Russia grew by 23 percent during the year. Outside Russia, gross profit rose 12 percent. In 2023, LUKOIL launched over 50 LukCafe filling stations in Russia. As part of a strategic partnership with Nestlé, we have installed new coffee-making equipment and developed and approved a new standard for coffee corners with better ergonomics. New projects have been launched: Azbuka Vkusa franchise project – first project in Russia, as well as Rigla pharmacies at flagship filling stations on the M-12 and Leningradskoye Highways, with the partnership program to be further rolled out across LUKOIL's flagship filling stations.

Marine bunkering

LUKOIL is one of the largest suppliers of bunker fuels, with bunkering operations at 25 ports across six Russian regions and outside Russia – at Bulgarian and Romanian ports. We operate mainly from ports on the Baltic Sea, the Barents Sea, and the Black Sea, and on Russia's inland waterways.

In 2023, the Group sold 1.5 million tonnes of bunker fuel, up 36 percent year-on-year. The increase in sales was driven by customer base expansion and the optimization of logistical supply routes.

Bunker fuel sales volumes, million tonnes

	2021	**2022**	**2023**	**Change 2023/2022**
Total	**2.1**	**1.1**	**1.5**	**+35.9%**
Including retail sales in the "ship supplies" customs regime	0.9	0.7	1.1	+58.1%

Aircraft fueling

LUKOIL sells jet fuel produced at its own and third-party refineries, mostly through aircraft fueling, at airports in Russia and Bulgaria using its own sales network or through service contracts with refueling companies outside LUKOIL Group.

In 2023, our jet fuel sales volume increased to 3 million tonnes, driven by stronger passenger traffic in Russia, including due to a higher share of regional flights and the market's post-pandemic recovery.

Our network for aircraft fueling covers 34 Russian airports, in 19 of which LUKOIL operates own jet fueling complexes or participates in joint ventures.

Aircraft fueling sales volumes (including share in equity affiliates), million tonnes

2021	2022	2023	Change 2023/2022
1.6	1.3	1.4	+8.8%

Bitumens

As part of its focus on developing the bitumen segment, in 2023, LUKOIL Group integrated LLC Urals Bitumen Terminal, which owns one of the most technologically advanced facilities manufacturing high-quality bitumen products, including modified bitumens. The enterprise features an advanced automated production control system and cutting-edge laboratory equipment. The company can produce 90 thousand tonnes of modified binders per year while being able to store up to 47 thousand tonnes of products at a time. Its transportation infrastructure accommodates both motor and rail transport, which is of particular importance given our wide distribution geography.

Each year, LUKOIL Group expands the geography of bitumen supplies. In 2023, we maintained our strong focus on driving the adoption of branded crumb rubber modifiers by laying ten pilot sections, including in Uzbekistan (the first international experience of using the Company's branded modifier). The pilot sections confirm the strong performance of our branded high-margin products across different climatic zones, enabling us to later include the Group's innovative materials into the design estimate documentation.

A total 478 thousand tonnes of bitumen were sold during the year. The decline in sales was caused by lower output of bitumen as refineries optimized their product slates for better economic viability. The 29-percent year-on-year increase in sales of modified binders from Nizhny Novgorod Refinery improved efficiency of our sales of bituminous materials in 2023. On top of this, our high-margin direct sales channel grew its share of total sales to 36 percent (from 22 percent in 2022).

Bitumen sales volumes, thousand tonnes

2021	2022	2023	Change 2023/2022
907	847	478	–43.6%

2. Sustainable Development

Since its incorporation, LUKOIL has conducted its business in a responsible manner, seeking to strike a balance between environmental sustainability and social and economic development. LUKOIL, as a signatory of the United Nations Global Compact, manages sustainability aspects by aligning the Company's interests and plans with global trends and national and regional development priorities. This assures that economic, environmental, and social goals and objectives are integrated into our corporate decision-making system.

In 2023, LUKOIL continued to deliver on its target programs and investment projects in line with its sustainability priorities and evaluate its interim progress against the previously set goals and objectives, striving to maintain its leadership on sustainability.

At the 28th Conference of the Parties to the UN Framework Convention on Climate Change (COP28) held in the UAE in 2023, PJSC LUKOIL joined the Oil & Gas Decarbonization Charter (OGDC). The signatories have committed to reach net-zero greenhouse gas emissions (Scope 1 and 2) by or before 2050, achieve near-zero methane emissions in oil and gas upstream operations, and meet the ambition of zero routine APG flaring by 2030.

The Company's position on sustainability issues, corporate principles, goals, and key objectives are set out in a top-level document, the LUKOIL Group Sustainability Policy.

LUKOIL has the following sustainability goals:

- *Maintaining an efficient corporate governance system*
- *Continued economic sustainability and development*
- *Embracing ethical business practices*
- *Decarbonizing and adapting to climate change*
- *Prioritizing environmental safety*
- *High occupational health and safety standards*
- *Providing decent working conditions*
- *Contributing to the socio-economic development of LUKOIL Group's regions and countries of operation*

Each goal has its key objectives.

Sustainability Management System

The achievement of sustainability objectives is controlled strategically (by the Board of Directors and the Strategy, Investment, Sustainability, and Climate Adaptation Committee of the Board of Directors) and operationally (by the CEO, the Health, Safety, and Environment Committee of PJSC LUKOIL, heads of functions and business units at PJSC LUKOIL, and heads of LUKOIL Group entities). In the reporting year, the Strategy, Investment, Sustainability, and Climate Adaptation Committee of the Board of Directors held five meetings and the Health, Safety, and Environment Committee of PJSC LUKOIL had three meetings.

The Company has cross-functional working groups comprising key executives and experts from various business units to address sustainability issues. For instance, the Group set up the Working Group of PJSC LUKOIL on Decarbonization and Climate Change Adaptation in 2020 and the Working Group on Sustainability in 2019, which is focused on enhancing the corporate sustainability management and non-financial reporting systems.

Sustainability metrics are included in the List of Key Performance Indicators (KPIs) used for planning, performance management, and motivation of employees and key executives of PJSC LUKOIL, as well as heads of LUKOIL Group entities.

Sustainability disclosure

The Company publishes annual disclosures of material information on sustainable development in its sustainability reports, ESG Databook, special booklets, press releases, and publications on its website. LUKOIL discloses its information in line with international best practice – sustainability reports are prepared in accordance with the GRI Standards, other international standards, recommendations of the Bank of Russia and the Russian Ministry of Economic Development, taking into account the disclosure guidelines with regard to contribution to the achievement of the UN Sustainable Development Goals. Our Sustainability Report is audited by third parties and undergoes the public assurance procedure.

Over a number of years, LUKOIL's sustainability disclosure efforts have received high scores from Russian and international rating agencies as well as won industry awards.

In 2023, LUKOIL retained or improved its position in a number of Russian and international rankings and was also named among the leaders in RSPP's ESG indices – Responsibility and Transparency, and Sustainability Vector. During the year, LUKOIL Group was assigned the highest level (Level I) in the ESG Index of Russian Business compiled by analysts of RBC and the NCR rating agency. The Company made it to the Top 30 of the Oil and Gas Benchmark, an international climate rating from the World Benchmarking Alliance, which evaluates climate policies and efforts of global oil and gas majors for compliance with the goals of the Paris Agreement to prevent global temperatures rising by more than 1.5°C.

LUKOIL is included in MOEX Russia Index ESG Balanced, which combines 15 stocks of issuers with the highest positions in RAEX-Europe's ESG ranking.

Health, Safety, and Environment[4]

Ensuring high level of health, safety, and environment (HSE) compliance is one of the key elements of LUKOIL's sustainable development policy.

HSE management system

Certified to international standards ISO 14001 and ISO 45001, LUKOIL's HSE management system is aimed at implementing the requirements of national laws and is based on principles of preventive actions and personal accountability of both managers and employees.

The Health, Safety, and Environment Policy of LUKOIL Group in the Twenty-First Century (the "HSE Policy") sets goals and commitments to minimize the impact of LUKOIL Group entities' activities on climate and environment, as well as reduce the risks of harm to the health of employees, including contractor employees.

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[4] *Indicators for 2023 in the Health, Safety, and Environment section do not include data for ISAB S.r.l. (Italy).*

The Health, Safety, and Environment Committee of PJSC LUKOIL in place at the Company is responsible for improving its HSE management system. The Committee reviews relevant HSE matters: impact on LUKOIL Group's activities from regulatory changes and other external factors, measures for material risk management, and proposals for motivating LUKOIL Group entities' employees to comply with HSE requirements, including through KPIs and HSE compliance performance. The Committee also prepares proposals to the Company's governance bodies for approving key HSE documents such as: the HSE Policy of LUKOIL Group in the Twenty-First Century, targeted segment-specific functional programs, and the Company's local regulations. The Committee had three meetings in 2023. To implement the HSE Policy, the Company develops three-year targeted HSE programs, approved by an executive order of PJSC LUKOIL. The outcomes from ensuring HSE compliance and targeted program performance are annually reported to top management. PJSC LUKOIL's Board of Directors also annually reviews the Company's HSE status and measures to improve occupational safety and makes decisions on the priority areas for improving the HSE management system, including the development of leadership tools and a culture of safety.

Industrial safety expenditures

In 2023, LUKOIL's spending under the industrial safety program totaled RUB 45 billion, up 22 percent year-on-year. Around 50 percent of this amount was spent on the activities to improve pipeline reliability.

Industrial safety program expenditures (capital and operating) across the Group in 2023

Total (100%)	**RUB 45 billion**
Reliability of equipment, buildings, and structures	58%
Emergency response and prevention[5]	17%
Improved working conditions and provision of personal protective equipment	17%
Use of modern technologies to improve HSE and working conditions	3%
Management system optimization and regulatory support	2%
Other	3%

Improving industrial safety, reducing work-related injuries, and accident-free operation of production facilities have always been top priorities for the Company.

LUKOIL places a special focus on continuous improvement of its health and safety management system. Due to measures taken, accident and injury frequency rates in recent years were below the industry average and are maintained at these levels.

The number of occupational accidents grew from 18 in 2022 to 21 in 2023, while the share of serious accidents more than halved.

During the year, LUKOIL Group entities had two fatal accidents (at LLC LUKOIL-West Siberia). In one case, an employee was gassed to death when measuring the level of oil-containing fluids in a reservoir. In the other case, an employee died as a result of electrocution and a fall from a power line pole.

[5] *Including fire safety related works and services, procurement of firefighting and protection equipment, activities to implement radiation safety standards, etc.*

To prevent similar incidents, the circumstances and causes of the accidents were communicated to employees; unscheduled briefings and knowledge checks were conducted; operating facilities where oil and gas gathering and treatment system is not sealed was prohibited; measures were taken to provide staff with personal gas detectors; as well as safeguards were put in place to prevent unauthorized staff from entering work areas.

The investigations into injuries in the reporting year revealed that occupational accidents were mainly caused by the human factor: personal contributory negligence, violation of workplace discipline, employees' failure to use available personal protective equipment, and poor work arrangements. To prevent similar incidents, the relevant details were communicated to all employees of LUKOIL Group entities and contractors.

Work-related injury indicators at LUKOIL Group

	2021	**2022**	**2023**	**Change 2023/2022**
Number of occupational accidents	17	18	21	17%
Number of injured employees	17	26	22	–15%
Fatalities	0	1	2	100%
Lost Time Accident Frequency Rate (LTAFR)[6]	0.17	0.17	0.20	18%
Lost Time Injury Frequency Rate (LTIFR)[7]	0.10	0.15	0.13	–13%

Accidents at LUKOIL Group's production facilities

	2021	**2022**	**2023**
Accidents	3	2	2

In 2023, two accidents occurred at the Group's production facilities.

One accident took place on February 7 at the delayed coking unit of LLC LUKOIL-Nizhegorodnefteorgsintez. The accident was mainly caused by a flaw in the design documents on the technical solution for pipeline heating, which resulted in poor heating arrangements for a pipeline, eventually causing it to leak, which led to hydrocarbon mixture ignition.

To prevent such accidents in the future, pipeline sections with electric heating systems were inspected for their actual condition, with measures developed and implemented for their safe operation in subzero temperatures. On top of this, we have improved the temperature monitoring system and adjusted the vetting procedure for incoming detailed design documentation.

On October 29, an explosion, followed by a fire and a partial collapse of the structure, took place at LLC LUKOIL-Komi during the cleaning of a reservoir under repair. As a result, one contractor employee died and another suffered burns. An investigation into the causes of the accident is under way.

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[6] ***Lost Time Accident Frequency Rate, LTAFR*** *= Number of accidents x 1,000 employees / Average employee headcount.*

[7] ***Lost Time Injury Frequency Rate, LTIFR*** *= Number of employees injured in workplace accidents including fatalities x 1,000,000 person-hours / Number of person-hours worked by all employees.*

All accidents and incidents were considered by the Health, Safety, and Environment Committee of PJSC LUKOIL on December 13, 2023 and discussed at LUKOIL’s Safety Day. To assess the performance of the HSE management system, the Company’s management annually reviews LUKOIL Group’s HSE Report.

Notification system

LUKOIL Group has uniform requirements for the notification, recording, and analysis procedures for all injuries, accidents, and incidents. All injuries, accidents, and incidents at Group facilities, including those involving contractor employees, are promptly reported to all stakeholders, including structural units and PJSC LUKOIL’s executives, to decide on further rapid response actions. The information received is registered in our RISK PB corporate system. The findings of the analysis of circumstances and causes following an investigation of each incident are communicated to LUKOIL Group entities and contractors, and additionally discussed both at the Health, Safety, and Environment Committee of PJSC LUKOIL and at Safety Days with the involvement of trade unions and key contractors. The occupational accident analysis results are included in the annual report to the CEO and submitted to the Board of Directors for review.

Leadership and a culture of safety

LUKOIL puts a particular focus on fostering leadership and a culture of safety. The Company conducts annual Safety Days involving LUKOIL’s top management, managers of Group entities, trade union representatives, and key contractors. The 2023 Safety Day focused on discussing the causes of injuries (including injuries sustained by contractor employees), expanding the role of health and safety officers, introducing the near miss recording and analysis procedure, driving further improvements to the quality of healthcare services across the Company’s facilities, as well as the results of adopting best practices from LUKOIL Group entities in preventing and avoiding adverse impacts on employees, the environment, operations, and reputation of the Company.

Accident insurance

The Group’s Russian entities have employee insurance agreements covering negative consequences of accidents, such as temporary disability, disability of category I, II, III, or death. In 2023, the accident insurance expenditures totaled RUB 49 million.

Trainings and drills

In order to improve accident response, the Group conducts regular trainings and drills with the involvement of ad hoc teams (from LUKOIL Group employees) and professional emergency response teams. During 2023, 178 drills of different levels were conducted across LUKOIL Group’s Russian entities, with 150 of them dedicated to oil and petroleum product spill response and two – to blowout response. In addition, about five thousand on-site training sessions were held. Over 110 thousand employees from the Group’s Russian entities took part in the drills and training sessions. The governance bodies and ad hoc emergency response teams of the Group’s Russian entities were highly praised by the committees and official representatives of the government authorities attending the drills. To enable prompt decision making during the drills, the Company uses mobile workstations and video surveillance tools transmitting video images to the Emergency Response Center of PJSC LUKOIL.

Assessment of working conditions

LUKOIL Group's Russian entities carry out special assessments of working conditions as required by the labor laws. Depending on the class of working conditions, employees exposed to harmful conditions are compensated with increased pay, additional vacation time, or a shorter work week. As at the end of 2023, such workers accounted for approximately 34 percent of the headcount at LUKOIL Group's Russian entities covered by the assessment of working conditions.

Supply chain management

All suppliers of goods, works, and services are required to carry out their operations in compliance with Russian laws and meet the Company's criteria of a bona fide counterparty and the Company's HSE standards.

Automated tools are used to check and select suppliers. The system for automating tender procedures maximizes the efficiency of the tender process. The counterparty due diligence system enables the Company to identify and continuously monitor the level of risk associated with counterparty engagement. Suppliers are checked for compliance at all stages of engagement, from bidding to completion of engagement. If any non-compliance is identified, relevant action is taken, including contract termination.

HSE compliance for contractors

Contractor selection follows the Instruction to the Provider of Goods, Works, or Services on Procurement Proceedings and local regulations setting forth HSE requirements.

Contractors are audited for HSE compliance at the initial stage of bidding and are screened out of the relevant tendering process in case of failure to comply with the established requirements. Contractors must also ensure compliance with requirements by their sub-contractors if relevant tender documentation allows for subcontracting.

HSE compliance by contractors and subcontractors (if any) is monitored during contract performance, including through technical audits, as contracts include HSE requirements.

Corporate supervision and industrial control

An important tool in maintaining the proper level of health, safety, and environment is high-quality compliance control. Over five thousand inspections were conducted across LUKOIL Group as part of corporate supervision and industrial control in 2023, including over one thousand contractor inspections. For any violations identified, disciplinary action is taken against non-complying employees, while contractors face penalties. The most typical cases identified in 2023 included non-compliance with submission requirements for as-built documentation and operating instructions, failures to follow the procedures for safe use of equipment, and poor workplace organization during construction, installation, and repairs. To encourage employees to take an active role in identifying violations and preventing non-compliance with safety rules, a special reward system is in place.

Climate Change[8]

The oil and gas industry is faced with new challenges as the world transitions to a low-carbon economy. The world needs to reduce greenhouse gas (GHG) emissions to prevent climate change, while still continuing sustainable economic growth – which will inevitably require higher energy consumption.

LUKOIL recognizes the importance of preventing global climate change, takes measures to reduce GHG emissions, and supports Russia's involvement in the global effort to reduce them.

Climate Change Management

The matters relating to climate change are overseen by the Board of Directors and come under the remit of its Strategy, Investment, Sustainability, and Climate Adaptation Committee. The Company set up a Working Group of PJSC LUKOIL on Decarbonization and Climate Change Adaptation, headed by the Company's CEO, to review and make coordinated decisions on the most important issues on the climate agenda. The working group comprises PJSC LUKOIL's First Vice President, Senior Vice Presidents, and Vice Presidents responsible for every area of the Company's operations, finance, strategy, economics and planning, sustainable development, as well as heads of the key relevant departments, and heads of LUKOIL Group engineering entities. The Company also has a business unit responsible for the coordination and methodological support of GHG emissions management, decarbonization activities, and climate adaptation efforts within LUKOIL Group in line with applicable Russian and international laws.

As part of the efforts to achieve the Company's goals in decarbonization and climate change adaptation, the Company set a KPI for GHG emissions management for production business segments in 2023.

[8] *Indicators for 2023 in the Climate Change section do not include data for ISAB S.r.l. (Italy).*

SUPERVISORY LEVEL	EXECUTIVE LEVEL	
Strategy, Investment, Sustainability, and Climate Adaptation Committee of the Board of Directors • Analysis of risks associated with climate change and climate adaptation • Preparing recommendations for the Board of Directors to set strategic goals for the Company's activities, including in the area of climate change and climate adaptation.	**Working Group of PJSC LUKOIL on Decarbonization and Climate Change Adaptation** • Assessing climate-related risks and opportunities and suggesting measures to manage such risks • Developing and assessing the results of the decarbonization program • Developing climate KPIs for the Decarbonization and Adaptation to Climate Change business process, and criteria to evaluate performance under climate-related investment projects • Evaluating compliance of the Group's activities with applicable requirements related to GHG emissions regulation and monitoring changes in such requirements • Determining the boundaries of climate-related disclosures	**Environmental Safety and Decarbonization Division** • Ensuring the preparation of LUKOIL Group's GHG emissions reports • Developing the decarbonization program of LUKOIL Group and preparing proposals for adjusting the program • Developing and implementing the climate change adaptation action plan • Ensuring monitoring of progress on initiatives to reduce GHG emissions and adapt to climate change • Identifying external requirements and climate risks

Climate Risks

The Company places special focus on climate risk management to provide reasonable assurance of achieving its strategic objectives despite uncertainties and negative impacts. LUKOIL implements a wide range of measures to manage climate risks and identify opportunities.

Risk category	Description	Management
Market risks	Risks associated with changes in demand and customer preferences	The Company uses a scenario-based approach to macroeconomic forecasting, including various climate scenarios. In addition, the Company plans to use an internal carbon pricing mechanism based on specific regional conditions.
Political, legal, and regulatory risks	Risks associated with the global transition to a low-carbon economy and steps taken to toughen GHG emission regulations in the countries where LUKOIL Group operates	LUKOIL continuously monitors developments in climate legislation and takes part in discussing relevant draft regulations to detail its position on these matters, including risks and uncertainties that come with new legislative proposals. In response to requests from federal executive bodies, the Company submitted its proposals and comments on draft federal laws and regulations. In the reporting year, the Company presented its opinions on more than 20 draft laws and regulations on climate change, including: – an updated roadmap to implement the Low Carbon Social and Economic Development Strategy of the Russian Federation to 2050, providing for, among other things, sectoral net GHG emissions targets and the introduction of carbon pricing – draft regulations updating requirements for mandatory reporting to government authorities on GHG emissions and criteria for classifying projects as climate projects and for their implementation – draft amendments to the guidelines for calculating direct and indirect GHG emissions as well as draft GOST standards and climate project implementation guidelines. As a member of industry business associations, the Company contributed to a number of proposals to federal executive authorities, including on improvements to climate policy, support for climate projects, avoidance of double reporting on corporate GHG emissions. The Company regularly participated in meetings on carbon regulation held by business associations such as RSPP, Russian Gas Society, and the Council of Electricity Producers and Strategic Electricity Investors. In 2023, the Company also took an active part in the development of the SPIMEX Standard for trading goods with a low carbon footprint.

Reputational risks	Risks associated with stakeholder perception of the Company's contribution / lack of formal commitment to a low-carbon economy	The Company regularly discloses information on GHG emissions management and climate action to address stakeholder concerns. GHG disclosures are verified by an independent auditor on an annual basis. Since 2013, LUKOIL has been participating in the Carbon Disclosure Project (CDP), an international rating initiative for the disclosure of GHG emission volumes and management of climate-related risks and opportunities. In 2022, CDP stopped rating Russian companies, but LUKOIL continues its membership in the project, with its questionnaire available on the CDP and Company websites. In 2023, 18 LUKOIL Group entities submitted reports on GHG emissions for 2022 to government authorities in line with the requirement of Federal Law No. 296-FZ *On Limiting Greenhouse Gas Emissions*, dated July 2, 2021.
Technology risks	Risks associated with the accelerated global transition to a low-carbon economy driven by technological advances and greater efficiency of relevant technologies	LUKOIL carries out constant monitoring and develops its proprietary solutions to improve energy efficiency. The Company's carbon management is focused on increasing the energy efficiency of operations through energy conservation, energy management, and optimization of industrial processes. As part of LUKOIL Group's Decarbonization Program for 2023–2025, the Company reduces direct and energy indirect GHG emissions by improving energy efficiency of operations, developing renewables for operational needs, cutting process losses of hydrocarbons during production and transportation, and introducing solutions for carbon capture and storage. The Company is also actively exploring the production of low-carbon fuels, including hydrogen and biofuels.
Physical risks	Risks associated with changing weather, climate, and other environmental conditions in LUKOIL Group's regions of operation that can affect the reliability of equipment or people's health, including	LUKOIL assesses the climate change impact when designing and constructing facilities, including in environmentally sensitive areas (the Arctic zone, low-water regions, and offshore areas), and monitors these environments for changes in relevant parameters to ensure timely response when needed. In 2023, we continued efforts to identify physical climate risks and response measures as part of targeted functional HSE programs across LUKOIL Group's Russian and foreign entities engaged in oil and gas production and refining, as well as in heat and power generation. The most likely risks specific to all production facilities and employees of LUKOIL Group entities include:

	natural calamities and permafrost thawing	– increases in average annual temperatures, manifested by prolonged heat waves – frequent temperature swings around 0 °C – high fire danger in hot weather – windier conditions – more frequent and stronger showers, increasing the risk of high water and floods – degradation of permafrost. In 2023, we developed a draft corporate standard outlining the procedure for identifying and assessing physical climate risks that affect industrial safety of operating processes, employee working conditions, and the environment throughout the life cycles of LUKOIL Group entities.

In 2023, LUKOIL approved the **Guidelines for Financial Assessment of Climate-Related Risks and Opportunities at LUKOIL Group** in order to establish a uniform approach to the identification and assessment of climate-related risks and opportunities. The Guidelines set out:

- uniform approaches and principles for identifying, describing, and assessing climate-related risks and opportunities of a business process for its participants
- materiality criteria for assessing climate risks, time horizon, and a list of financial metrics for LUKOIL Group activities used to assess the impact of climate risks
- a description of approaches to qualitative and quantitative assessment of the impact climate-related risks and opportunities have on LUKOIL Group's financial performance
- data preparation procedure for reporting on LUKOIL Group's climate-related risks and opportunities, including external disclosures.

Compliance with TCFD recommendations

In 2021, the Company supported the TCFD [9] initiative by committing to implement the recommendations on voluntary disclosure of its management of climate-related risks and opportunities and assessment of their financial impact on the business. The Company has published a TCFD index on its website, containing references to all public sources used by the Company to post standard-compliant disclosures. Our corporate risk management information system features a climate risk index and a predefined template to develop a climate-related risk/opportunity matrix. Climate risk disclosures in the Company's reporting are aligned with TCFD recommendations.

Greenhouse gas emissions

The Company is calculating its GHG emissions in line with the international GHG Protocol methodology.

[9] Task Force on Climate-related Financial Disclosures.

The Company has set a voluntary goal to reduce controlled GHG emissions reflecting the scenarios of the Intergovernmental Panel on Climate Change based on the goal specified in Article 2 of the Paris Agreement to hold the increase in the global average temperature to below 2°C. LUKOIL Group's voluntary goal provides for reducing its controlled emissions by at least 20 percent (Scope 1 and Scope 2) by 2030 from the 2017 levels.

To achieve this goal, in 2023, we approved LUKOIL Group's Decarbonization Program for 2023–2025 (the "Program"), which includes about 300 activities.

Through our efforts under the Program in 2023, we avoided a total of more than 700 thousand tonnes of CO_2 equivalent of GHG emissions. The bulk of this amount is attributable to activities aimed at using renewable energy for own needs, saving on electricity, heat, and fuel, reducing APG flaring, and upgrading generation facilities.

For more details on changes in LUKOIL Group's GHG emissions, see our Sustainability Reports (Scopes 1 and 2) and CDP questionnaires (Scopes 1, 2, and 3).

Climate change adaptation

In February 2023, the Company approved and adopted the revised STO LUKOIL 1.6.8-2022 Corporate Standard, HSE Management System. Action Planning, with the procedure for developing climate change adaptation measures included in the standard. The adoption of this standard enabled integrating a system for developing, implementing, and monitoring climate change adaptation measures into the existing HSE planning and implementation system.

In 2023, LUKOIL Group entities identified climate change adaptation measures within targeted HSE functional programs for 2024–2026. Over 780 adaptation measures were identified for existing or anticipated climate risks across the footprint of LUKOIL Group entities.

Our climate change adaptation measures primarily focus on:

– implementing preventive measures to improve working conditions, reduce work-related injury and occupational disease rates, and provide employees with personal and collective protective equipment

– introducing advanced high-tech products and technologies

– ensuring safety of buildings, structures, process equipment, and communications

– improving the industrial and fire safety and occupational health management system

– preventing and responding to emergencies, and ensuring fire safety

– monitoring and receiving updates of hydrometeorological hazard and disaster forecasts.

Energy efficiency[10]

Energy saving and energy efficiency are among the key tools for achieving strategic gains in LUKOIL Group's efficiency.

[10] Indicators for 2023 in the Energy Efficiency section do not include data for ISAB S.r.l. (Italy).

The Company has in place LUKOIL Group's Technical Policy on Energy Efficiency and Reduction of Greenhouse Gas Emissions in Russia, which aims to improve energy efficiency across all our business processes by effectively managing and applying innovative technologies and equipment where economically viable.

LUKOIL Group entities have their energy management systems aligned with ISO 50001 Energy management systems standards. As at December 31, 2023, as many as 26 LUKOIL Group entities confirmed the compliance of their energy management systems with the new version of ISO 50001:2018.

To improve energy efficiency along the entire value chain, in 2020, the Company introduced a KPI for LUKOIL Group's Russian entities measuring the Performance of the Approved Energy Conservation Program, which is the ratio of actual to planned savings in fuel and energy resources in value terms.

The Company has in place the Energy Saving and Energy Efficiency Improvement Program for LUKOIL Group Entities for 2024 and for 2025–2026. Key energy conservation initiatives in 2023 included implementing energy-saving methods of enhanced oil recovery, variable frequency control, optimizing pumping and engine equipment, replacing and upgrading on-site equipment to boost the efficiency factor, optimizing condensate collection and return, upgrading lighting and heating solutions, and replacing and adjusting furnaces.

Results of energy efficiency initiatives across LUKOIL Group

	2021	**2022**	**2023**
Electricity savings, million kWh	105	410	336
Heat savings, thousand Gcal	317	445	266
Savings of boiler and furnace fuels, thousand tonnes of reference fuel	67	78	110

Efficient associated petroleum gas use

LUKOIL uses APG reinjection to maintain reservoir pressure while also transporting APG to its gas processing plants. APG is also used as a fuel for on-site gas-fired power plants, which helps reduce electricity and oil production costs.

Under the Company's Efficient APG Use Program launched in 2003, the target level of APG utilization rate for LUKOIL Group's Russian entities is 95 percent. In 2023, the APG utilization rate across LUKOIL Group's Russian entities was up 0.5 p.p. to 97.3 percent.

Since 2017, LUKOIL has been participating in the Zero Routine Flaring by 2030 initiative of the World Bank and delivering on its commitment to decrease flaring through a more efficient use of associated petroleum gas where technologically feasible.

Efficient APG use at LUKOIL Group's Russian entities

	2021	**2022**	**2023**
Total	**97.5%**	**96.8%**	**97.3%**
West Siberia	97.8%	97.5%	97.4%
Urals	98.7%	96.9%	98.8%
Volga	98.0%	98.0%	98.0%
Timan-Pechora	94.7%	92.7%	93.7%
Other	72.2%	96.7%	97.3%

In the reporting year, LUKOIL commissioned three facilities under the Group's Efficient APG Use Program for 2023–2025.

Region	Field	Construction and commissioning of efficient APG use facilities in 2023
Urals	Kurbatovskoye	• Construction of a gas pipeline
Urals	Batyrbaiskoye	• Construction of a gas pipeline
Volga	Malochernigovskoye	• Construction of a gas fractionation unit

Gross APG production across the Group

	2021	2022	2023
Flaring	3%	3%	3%
Reinjection	21%	17%	14%
Consumption for operational needs[11]	23%	26%	36%
Processing at GPPs	29%	24%	26%
Supply to third parties	25%	30%	21%

Renewable power generation

The Company develops renewable power generation projects to reduce its environmental footprint and diversify its business. LUKOIL has a large portfolio of renewable power generation assets, accounting for about 6 percent of total commercial power generated by LUKOIL Group in 2023. For more details, see the Power Generation section on page 13.

LUKOIL views renewable energy as a tool to adapt to global energy transition.

In 2023, solar power plants at the Volgograd Refinery (with a total capacity of 30 MW) supplied green electricity to the Stavrolen petrochemical complex (12 million kWh) and the Nizhny Novgorod Refinery (23 million kWh).

In 2022, NP Market Council, an industry regulator, certified Tsimlyanskaya HPP as a renewable generator. In 2023, the plant supplied 557 million kWh of green power to LLC LUKOIL-West Siberia.

In 2023, green electricity was also supplied to LLC LUKOIL-West Siberia by Kolskaya WPP and Azovskaya WPP (408 million kWh).

Environmental Protection[12]

We are highly aware of our great social responsibility to preserve the environment and use natural resources sustainably, conform to the highest environmental protection standards, and strictly comply with the national legislation of the countries in which we operate.

[11] *Including consumption for power generation, boiler house needs, line heaters, etc.*
[12] *Indicators for 2023 in the Environmental Protection section do not include data for ISAB S.r.l. (Italy).*

Environmental expenditures

In 2023, our environmental spending totaled RUB 23.3 billion, including RUB 15.3 billion of capital expenditures. The biggest item in the reporting year was ambient air protection (RUB 8.4 billion, including under LUKOIL Group's Efficient APG Use Program for 2023–2025). The expenditures were up 30 percent year-on-year in line with the implementation plan.

Environmental expenditures (capital and operating) in 2023

Total (100%)	**RUB 23.3 billion**
Ambient air protection	36%
Protection and sustainable use of water	25%
Production waste disposal	25%
Other	14%

Water

The Company is committed to sustainable use of water and preventing water pollution. We use circulating supply and also reuse water and build, renovate, and retrofit water and wastewater treatment facilities.

In 2023, the Company's clean water withdrawal and consumption decreased by 33 percent and 37 percent, respectively. The use of water across LUKOIL Group's Russian entities declined slightly year-on-year. The significant drop in water consumption across our international projects was due to the sale of ISAB S.r.l. (Italy) in the oil refining segment in 2023. Around 58 percent of LUKOIL Group's water consumption for operational needs is used in industrial processes in power and heat generation, and approximately 28 percent is utilized for reservoir pressure maintenance systems. In 2023, a 11-percent year-on-year decrease was registered in water discharge to underground reservoirs due to external limitations on oil production in 2023 and an increase in injection rates for the reservoir pressure maintenance systems at LLC LUKOIL-Komi and LLC LUKOIL-PERM.

Water consumption by Group entities, million cubic meters

	2021	**2022**	**2023**	**Change 2023/2022**
Total water withdrawal[13]	**681**	**726**	**490**	**–33%**
Russia	460	477	471	–1%
International projects	221	249	19*	–92%
Total water consumption for operational needs	**588**	**628**	**396**	**–37%**
Russia	369	382	378	–1%
International projects	219	247	18*	–93%
Total water discharge	**530**	**572**	**327**	**–43%**
Including into surface water bodies or seas	413	432	223	–49%
Including contaminated (untreated and insufficiently treated) wastewater	8.9	8.4	8.0	–5%
Russia	325	348	308	–11%
International projects	204	224	19*	–92%

* *The decrease was due to the sale of ISAB S.r.l. (Italy).*

[13] *The data exclude water produced as a by-product with hydrocarbons and subsequently used to maintain the formation pressure during oil production.*

Ambient air protection

We work to minimize our air pollutant emissions, generated mostly by Russian oil and gas producing, oil refining, and petrochemical entities. In the reporting year, air pollutant emissions across the Group grew by 2 percent year-on-year to 467 thousand tonnes. The main drivers behind the increase were the integration of new production assets into LLC LUKOIL-West Siberia and stocktaking of air pollutant emissions sources as part of preparing documents for the permitting process.

Air impact

	2021	2022	2023	Change 2023/2022
Air pollutant emissions across the Group, thousand tonnes	**425**	**457**	**467**	**2%**
Russia	403	437	455	4%
International projects	22	20	12*	–40%
Gas flaring by LUKOIL Group's Russian entities, million cubic meters	**291**	**384**	**319**	**–17%**

* *The decrease was due to the sale of ISAB S.r.l. (Italy).*

Preventing land pollution

LUKOIL has built a robust system to improve the reliability of its oilfield and trunk pipelines based on federal laws, rules, and standards, and its own local regulations. Spill prevention, control, and countermeasure plans have been developed for all facilities at risk of oil and petroleum product spill emergencies.

In 2023, thanks to LUKOIL's efforts, the pipeline failure rate[14] across LUKOIL Group's Russian entities was down to 0.065 per km per year. In the reporting period, contaminated acreage across LUKOIL Group's Russian entities stayed flat year-on-year.

No material environmental accidents were recorded during the year.

[14] *A pipeline failure means a failure of performance associated with a sudden total or partial shutdown of the pipeline due to compromised airtightness of the pipeline itself or shut-off and control valves or a blockage of the pipeline. Such a failure does not always entail a spill of crude oil, petroleum products, or formation water, or a gas leak. Rates are based on the total length of pipelines (oil, gas, and water pipelines).*

Land impact across LUKOIL Group's Russian entities

	2021	2022	2023	Change 2023/2022
Contaminated land as at December 31, hectares	49	10	10	0%
Rehabilitated land, hectares	49	71	49	–31%
Number of significant[15] oil spills	4	1	0	–100%
Pipeline failures per km per year	0.069	0.069	0.065	–6%
Annually replaced pipelines,[16] % of total length	2.5	2.1	2.3	+10%
Pipelines with anti-corrosion coating, %	34	37	39	+5%

Land impact across LUKOIL Group

	2021	2022	2023	Change 2023/2022
Volume of oil and petroleum spilled in accidents, tonnes	73	8	3	–61%

Production waste management

In waste management, LUKOIL prioritizes maintaining its disposal-to-generation ratio at 1.0 to prevent waste accumulation. This approach remained unchanged in 2023.

The amount of legacy, pre-privatization waste for LUKOIL Group grew by 21 percent year-on-year to 595 thousand tonnes in 2023, due to the update of information on the share of pre-privatization waste in bottom sediments in ponds at mechanical treatment facilities at the Perm Refinery as a result of a geodetic study.

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[15] *Significant spill is an emergency with environmental consequences (accident or incident) that meet one or more of the following criteria: 1. The amount of potential financial risks for a LUKOIL Group entity exceeded USD 1 million. 2. The area of contamination exceeded 5 hectares. 3. The volume of the pollutant spilled exceeded 10 tonnes. 4. Damage was caused to water bodies.*

[16] *Pipelines in this metric mean oil, gas, and water pipelines.*

Waste management at LUKOIL Group entities

	2021	2022	2023	Change 2023/2022
Waste generation, thousand tonnes	**2,065***	**2,056**	**2,111**	**3%**
Russia	1,968*	1,958	2,041	4%
Hazardous waste (hazard classes I to III), %	18	21	23	10%
International projects	97	98	71**	–28%
Waste disposal, thousand tonnes	**2,020**	**1,997**	**2,127**	**7%**
Russia	1,921	1,897	2,056	8%
International projects	99	100	71**	–29%
Waste disposal-to-generation ratio[17]	**1.0**	**1.0**	**1.0**	**–**
Pre-privatization waste as at December 31, thousand tonnes	**523**	**487**	**595**	**22%**
Russia	180	168	345	105%
International projects	343	319	250	–22%

** This metric does not include rock formed as a result of mine oil production at LLC LUKOIL-Komi. Rock has been included in this metric since 2022.*
*** A decrease due to the sale of ISAB S.r.l. (Italy).*

Biodiversity conservation

LUKOIL is paying particular attention to biodiversity conservation, implementing a Biodiversity Conservation Program for the Company's facilities operating in the Russian Arctic, including annual environmental monitoring.

In 2023, biodiversity conservation expenditures in the Arctic zone totaled RUB 1,469 million.

One of the focus areas is fish stocking: in 2023, the Company released 10.6 million fry of valuable fish species into water bodies, spending a total of RUB 144 million.

Personnel

A strong and stable corporate culture and clear corporate values are at the heart of LUKOIL Group's HR policy. All elements of PJSC LUKOIL's Human Capital Management Policy are structured to ensure the best use of human capacity and maximize flexibility for the Company in a rapidly changing external environment.

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[17] *The term "waste disposal" is used to mean "use, neutralization, landfilling, or handing over to a specialized organization for these purposes".*

In 2023, LUKOIL became the first oil and gas company in Russia to digitize its entire HR document flow process. Over 85 thousand users across more than 50 LUKOIL Group entities benefit from the HR Electronic Document Management System (HR EDMS). The HR EDMS can be accessed, inter alia, from hard-to-access work areas (with no cell coverage) and via mobile phones. The deployment of the HR EDMS has delivered a significant reduction in paper consumption (about 1 million paper documents were executed annually before its launch), as well as enabled unification and standardization of HR management processes and documents.

The Company has in place a Personnel Performance Management System to track employees' performance against their targets and their progress along the path of professional development.

In 2023, we continued to develop our service-based model in order to improve the governance system and corporate structure of LUKOIL Group. In particular, transactional tasks were transferred from PJSC LUKOIL to shared-service centers, with transactional activities of the Company's subsidiaries transferred to regional shared-service centers. To further enhance efficiency across the tasks transferred to shared-service centers, we embarked on digitization and unification of processes to avoid unnecessary paperwork.

In 2023, the average headcount of LUKOIL Group entities was 104.2 thousand employees, down 0.1 percent year-on-year.

Headcount across LUKOIL Group, people

	2021	**2022**	**2023**
Average headcount	102,424	104,323	104,172
Headcount as at December 31 of the relevant year	106,835	109,047	107,596
Employee turnover	9.1%	9.0%	9.2%

Personnel by gender as at December 31, 2023

Women	40%
Men	60%

Personnel by age as at December 31, 2023

35 or under	31%
36 to 40 years	19%
41 to 50 years	30%
51 years and older	20%

Personnel by job type as at December 31, 2023

Managers	12%
Female	23%
Specialists	28%
Female	51%
Workers and other employees	60%
Female	39%

Personnel by education level as at December 31, 2023

Higher	54%
Secondary vocational	24%
Primary vocational, high school, below high school	22%

Personnel by activity in 2023

Exploration and production	39%
Refining, marketing, and distribution	54%
Other businesses	5%
Corporate	2%

Personnel by geography in 2023

Russian entities	87%
Foreign entities	13%

Talent management

In 2023, we continued to enhance our HR management system by incorporating an approach that provides for SMART goals to be set by employees of LUKOIL Group entities via the Personnel Performance Management System.

To foster its management culture, the Company developed and approved Standard Management Practices (SMP) and launched a large-scale corporate training program for LUKOIL Group managers on the use of management practices to boost employee motivation and build uniform approaches to building a culture of performance across LUKOIL Group. In 2023, we delivered a large-scale training program for leaders across LUKOIL Group entities on the use of key management tools. About a half of the total number of program members were trained in 2023. A survey on SMP adoption rates is run among managers after training to track changes in the use of SMP tools in their day-to-day work. The survey measures specific changes in the skills, knowledge, and behavior of program members post-training and identifies specific areas that require additional support.

To unlock employees' leadership potential, the Guidelines for Implementing the Leadership Mentoring Program were developed and approved. The Guidelines are slated to be rolled out from 2024 when transitioning to a targeted incentive system that takes into account the expectations of the new generation of employees, including young talent.

Incentive system

The Company employs various incentives to boost staff performance and productivity, as well as motivate employees to achieve corporate goals. LUKOIL values each employee's contribution and ensures that high performance is fairly rewarded.

Employees offering suggestions or contributing to the improvement process can be rewarded depending on the impact achieved. This approach aims to boost production and functional performance and drive steady business performance gains.

We continue to deploy an end-to-end grading system across LUKOIL Group entities. In 2023, the system was piloted at seven subsidiaries. The end-to-end grading system ensures that positions are comparable within the entire Group; salaries are competitive, employee career growth is manageable, and payroll is under control.

As part of our personnel performance and productivity management system, we annually evaluate employee performance against their individual targets and KPIs while also preparing individual development plans for them. The evaluation results affect the amount of annual bonuses and further career growth of employees.

Employee development system

The Company has a continuous training system in place to provide its personnel with all the necessary knowledge and skills to meet existing and new business objectives. Employee development is based on annual professional development plans.

Professional training days are held on a regular basis for all managers of LUKOIL Group entities to discuss the most pressing matters. The matters discussed in 2023 included HR management, corporate security, and protection of social and economic rights as well as employment and professional interests of the Company employees. To provide employee training, the Company uses workshops, seminars, trainings, secondments, professional development and retraining programs, as well as professional training days. The Company develops and delivers corporate training programs for employees of LUKOIL Group entities at the country’s leading educational centers. In 2022, over 88 thousand employees completed training for a total of 370 thousand person-courses. Training time exceeded 8.6 million hours, including about 2 million hours of mandatory training.

LUKOIL has a distance learning system that helps optimize mandatory training costs. LUKOIL Group has over 50 entities connected to the system with more than 90 thousand users. In 2023, the Company employees successfully completed over 227 thousand training courses via the distance learning system, including more than 71 thousand training courses on health and safety.

Career and succession management

In 2023, we continued the project to improve our career and succession management system. The project is planned to be implemented as a module within our automated personnel performance management system.

The initiative also provides for adopting a system of position profiles for key production segments and professional skills models. The project’s deliverables will be used to implement standard career paths available to every employee on achievement of performance indicators and targets provided that necessary skills are built by the employee.

Diversification

In implementing its HR policy, LUKOIL is guided by the principles outlined in the conventions of the United Nations and the International Labor Organization. LUKOIL has zero tolerance for any form of discrimination and provides equal opportunities to all its employees.

To facilitate employment opportunities for people with disabilities, the Company has local regulations in place on job quotas for disabled persons. The quota is 2 percent to 4 percent of the Company's average headcount and is set in line with regional laws of Russia's regions. Special working conditions, benefits, and guarantees are provided to disabled employees, including shorter working hours for the full salary and longer annual leave.

Social policy for employees

Our corporate social policy is governed by the Social Code of PJSC LUKOIL, the Agreement between the Employer and the Trade Union Association of PJSC LUKOIL for 2021–2026, collective bargaining agreements, and other internal regulations on social policy. LUKOIL also pursues an extensive social policy offering a variety of guarantees and privileges to which all employees of LUKOIL Group entities are entitled. Collective bargaining agreements cover 93 percent of LUKOIL Group's workforce and 99.9 percent of employees at LUKOIL Group's Russian entities.

Total 2023 expenditures for social programs for employees, members of their families, and non-working retirees amounted to about RUB 26.3 billion, up 23 percent year-on-year.

Table: Expenses on internal social support, RUB billion

	2021	2022	2023
Total	**18.5**	**21.4**	**26.3**
Social benefits from the payroll[18]	10.0	12.2	15.4
Social benefits[19]	8.5	9.2	10.9

Business Ethics

LUKOIL's corporate values are the cornerstone of its activities and help ensure commitment to the highest ethical standards of business, including strict adherence to respect for human rights, full legislative compliance, and zero tolerance for any form of corruption. Our core principles and approaches in business ethics, human rights, and stakeholder engagement are set forth in the Code of Business Conduct and Ethics of PJSC LUKOIL.

Employees can discuss business ethics and human rights matters with entity-level HR departments of LUKOIL Group entities and with independent trade union organizations. In addition, to ensure compliance with the corporate business ethics standards, including respect for human rights, the Business Ethics Commission was set up at the Company. Any employee (including from international entities) can approach the Company's management. Other stakeholders can liaise with the Business Ethics Commission using the contact phone numbers listed in the Whistleblowing section of the Code of Business Conduct and Ethics.

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[18] *Include one-off entitlements to annual leave, allowances for housing rental and meals, lump sum incentive payments, and sick leave allowances above the statutory minimum.*
[19] *Include contributions under voluntary health insurance and accident insurance agreements, coverage of travel expenses, severance payments, coverage of services provided by healthcare facilities, payments for vacation packages and compensations for treatment and leisure, one-off financial assistance, coverage of children's gifts expenses, temporary disability, maternity, childbirth, and parental leave allowances, payments to a non-state pension fund, housing expenses, and financial support to non-working retirees.*

The Business Ethics Commission registered five reports in 2023. In each case, measures were taken to prevent negative situations from escalating. The reports related to employment relations, specifically the interaction between employees and managers; some reports were submitted repeatedly or followed up on earlier reports.

The Company's key principles and approaches to social responsibility are described in the Social Code of PJSC LUKOIL.

Anti-corruption

Corporate anti-corruption practices are outlined in the Anti-Corruption Policy of PJSC LUKOIL (the "Policy") approved in 2020.

The Policy establishes the principles, key elements, and activities to prevent and combat corruption and ensure compliance with anti-corruption laws by the Company and its counterparties. The Company's Board of Directors oversees compliance with the Policy.

LUKOIL has a 24/7 whistleblowing hotline to report violations of anti-corruption laws. Any employee, counterparty, or other stakeholder can report corruption-related issues via anticorruptionline@lukoil.com in Russian or English, as well as in any national language of the countries where LUKOIL Group operates. In 2023, no reports related to anti-corruption were received via the hotline.

Preventing abuse and fraud by Company employees

To ensure compliance with the requirements of the Code of Business Conduct and Ethics of PJSC LUKOIL and establish a uniform procedure for preventing conflict of interest situations, as well as eliminate the negative impact of any actual conflict of interest situation on the process and results of the Group's operations, the Company adopted the Regulations on the Actions of LUKOIL Group Entities and Their Employees in Conflict of Interest Situations. Compliance with these Regulations is mandatory for all employees at LUKOIL Group entities.

LUKOIL employees take regular professional trainings and trainings on ethical standards and anti-corruption conduct. The Company's managers attend meetings on organization and methodology. Managers of LUKOIL Group entities and employees of corporate security units are examined annually for the knowledge of methods to identify and respond to conflict of interest situations.

Human rights

The Company's position and commitments with regard to observing and protecting human rights are set forth in the LUKOIL Group Human Rights Policy, approved by the Company's Board of Directors on October 28, 2022.

The Policy applies to PJSC LUKOIL and its subsidiaries, formalizes the Company's basic principles and commitments as regards observing and protecting human rights, and outlines the relevant mechanisms and tools.

The Group receives and processes human rights-related reports, including from employees, customers, partners, shareholders, and local communities, in all languages used in LUKOIL Group's regions of operation. Reports can be submitted via telephone, email, or public relations centers of LUKOIL Group entities.

In 2023, LUKOIL did not receive any complaints concerning violations of human rights or the rights of indigenous minorities of the North by the Company, including with regard to human rights breaches by contractors working at LUKOIL Group's facilities.

Contribution to Society

Being aware of our responsibility to the communities of which we are a part, LUKOIL maintains a regular dialogue with stakeholders and implements targeted programs taking into account cultural and historical specifics of the regions and countries where it operates.

The Company makes decisions on financing certain social projects based, among other things, on requests from stakeholders (local, regional, and federal authorities and non-profit and other non-governmental organizations), and as part of social partnerships with Russian regions. Corporate programs are tailored to respective specific regions and leverage local expertise and human capital.

Expenses on external social support in 2023, RUB billion

Total	**18.2**
Agreements on cooperation with Russian regions and municipal entities	7.4
Charity	10.8

In the reporting period, LUKOIL implemented projects to upgrade social and utility infrastructure in its regions of operation, improve public and residential areas, and provide materials and supplies to education and healthcare facilities. LUKOIL supported the construction and upgrades of sports and cultural facilities and helped organize environmental events.

Low-rise houses were built in Kogalym for the faculty of the new Education Center, a branch of the Perm National Research Polytechnic University.

Medical equipment was purchased for healthcare institutions in the Stavropol Territory, with major repairs completed at the polyclinic unit of the Limanskaya District Hospital in the Astrakhan Region.

A new building of the Russian Classical School was constructed in Perm, and its existing buildings were revamped. Community Centers and a leisure center were built and revamped at villages of the Perm Territory.

The Social and Cultural Projects Competition was traditionally held across the regions in which the Company operates, with over 500 projects becoming the winners.

In 2023, the corporate LUKOIL Charity Fund celebrated its 30th anniversary. The Fund's flagship projects include support for low-income families with children who have locomotor disorders, or sight or hearing impairments. The Fund has been actively cooperating with leading exhibition centers such as the State Russian Museum, the Tretyakov Gallery, the Pushkin State Museum of Fine Arts, the Moscow Kremlin Museums, and the State Historical Museum.

Also in 2023, the LUKOIL Sports Club celebrated its 25th anniversary. Every year, the Club holds corporate sporting events, supports professional clubs and teams, and organizes sports activities and campaigns across LUKOIL's footprint.

Projects of LUKOIL Charity Fund and LUKOIL Sports Club as well as environmental (biodiversity conservation) activities of the Company were included in The Best Social Projects in Russia catalog in 2023.

Responsibility to customers

LUKOIL has an extensive network of filling stations in 19 countries around the world.

LUKOIL's Fill up with Profit Loyalty Program and the LUKOIL Filling Stations mobile app are available to motorists. In 2023, the number of users of the LUKOIL Filling Stations mobile app in Russia exceeded 11 million. A number of measures are being implemented to improve the quality of service, including the development of feedback mechanisms in the mobile app, handling inquiries to the Unified Hotline, monthly analysis of incoming requests, control over compliance of filling station staff with customer communication guidelines, regular training and development courses for all categories of filling station personnel, as well as expansion of customer communication in the mobile app, etc.

We continue developing our ecosystem of driver services under the LUKOIL brand. During the year, we launched new services, including compulsory third-party liability insurance and hull insurance policies, booking a car service, ordering a tow truck, checking and paying traffic police tickets, and booking a car wash.

New features were added to the mobile app to reduce lines: faster QR-enabled payments for fuel at fuel dispensing units; QR-enabled payments via the Faster Payments System (FPS) using POS terminals or the mobile app; and linking bank cards for in-car payments.

In the reporting year, we maintained a strong focus on the LUKOIL for Business mobile app, with its subscriber base more than doubled year-on-year to 74.7 thousand users. Creating digital services drives the efficient expansion of our customer service geography, enabling remote contracting without the hassle of gathering necessary documents.

Customers of Teboil Rus filling stations also have access to Teboil's Loyalty Program, with a proprietary mobile app.

August 2023 saw our first annual Customer's Day which involved seven LUKOIL Group entities across Russian regions. Over one thousand administrative employees were offered an opportunity to deep-dive into the ins and outs of the work of operators and their assistants at filling stations as well as contribute toward corporate goals and suggest improvements to business processes.

Innovative ancillary services (tire inflation station, laundry and shower rooms) are introduced at new filling stations, including flagship ones, implemented as advanced technology solutions in the self-service format offering a better customer experience.

LUKOIL's network of filling stations was named a winner of the Filling Stations of Russia nationwide competition as the Network of Filling Stations of the Year 2023, while its Fill up with Profit Loyalty Program was recognized as the best program in the Retail Services category at the 14th annual Service Quality and Consumer Rights Award.

Engagement with local communities in the Republic of Komi

We engage with local communities in the Republic of Komi on a regular basis. For instance, in 2023, 142 public consultation events (including in the outreach and public hearing formats) were organized and hosted across the footprint of LLC LUKOIL-PERM in the Republic of Komi and the Nenets Autonomous Area to discuss the revamps of existing and construction of new facilities. All the consultations were deemed to have taken place, and the outreach efforts resonated well with local communities. We prevented conflicts during the consultations by running detailed analysis of engagements with local communities, liaising with the action groups from village communities, and implementing initiatives that are socially important for rural and urban areas.

Local people can get in touch with LLC LUKOIL-PERM in the Republic of Komi and the Nenets Autonomous Area by mail, or via email, social media, or by calling a hotline, as well as during public consultations, community outreach initiatives, and management meetings with local people.

In 2023, a total of 465 calls were received via the environmental safety hotline operated by the Central Dispatching Department for the Republic of Komi and the Nenets Autonomous Area. Only one of the calls was related to environmental safety (the smell of gas between the 132 and 133 km of the motorway between Usinsk and Kharyaga). An ad-hoc inspection was conducted, which did not confirm the suspected environmental threat.

The Company was involved in the construction of water supply networks and installation of water treatment systems in the villages of Ust-Usa and Novikbozh. The commissioning of similar facilities is underway in the villages of Mutny Materik, Shchelyabozh, and Kolva. The construction of rural outpatient clinics was completed in the villages of Shchelyabozh and Mutny Materik, including infrastructure and homes for healthcare specialists invited to work at the facilities.

Government relations

Through existing mechanisms of public consultation on draft regulatory documents, LUKOIL is actively involved in developing a modern and balanced government regulatory framework that promotes entrepreneurship.

In 2023, the Company submitted to federal authorities of the Russian Federation proposals on more than 550 draft regulations affecting the interests of LUKOIL Group.

The Company also participates in discussions on government regulation within business associations and at events held by executive and legislative authorities. In addition, in 2023, LUKOIL continued contributing to efforts to refine mandatory industry requirements as part of working groups on implementing the regulatory guillotine mechanism.

3. Corporate Governance

An efficiently functioning corporate governance system is an important factor for sustainable development and successful implementation of the Company's strategy to create shareholder value. The Company carries out systematic work to take into account a wide range of aspects and issues of sustainable development when carrying out both strategic and operational management of its activities, risk management, as part of interaction with shareholders, clients, counterparties, and other stakeholders.

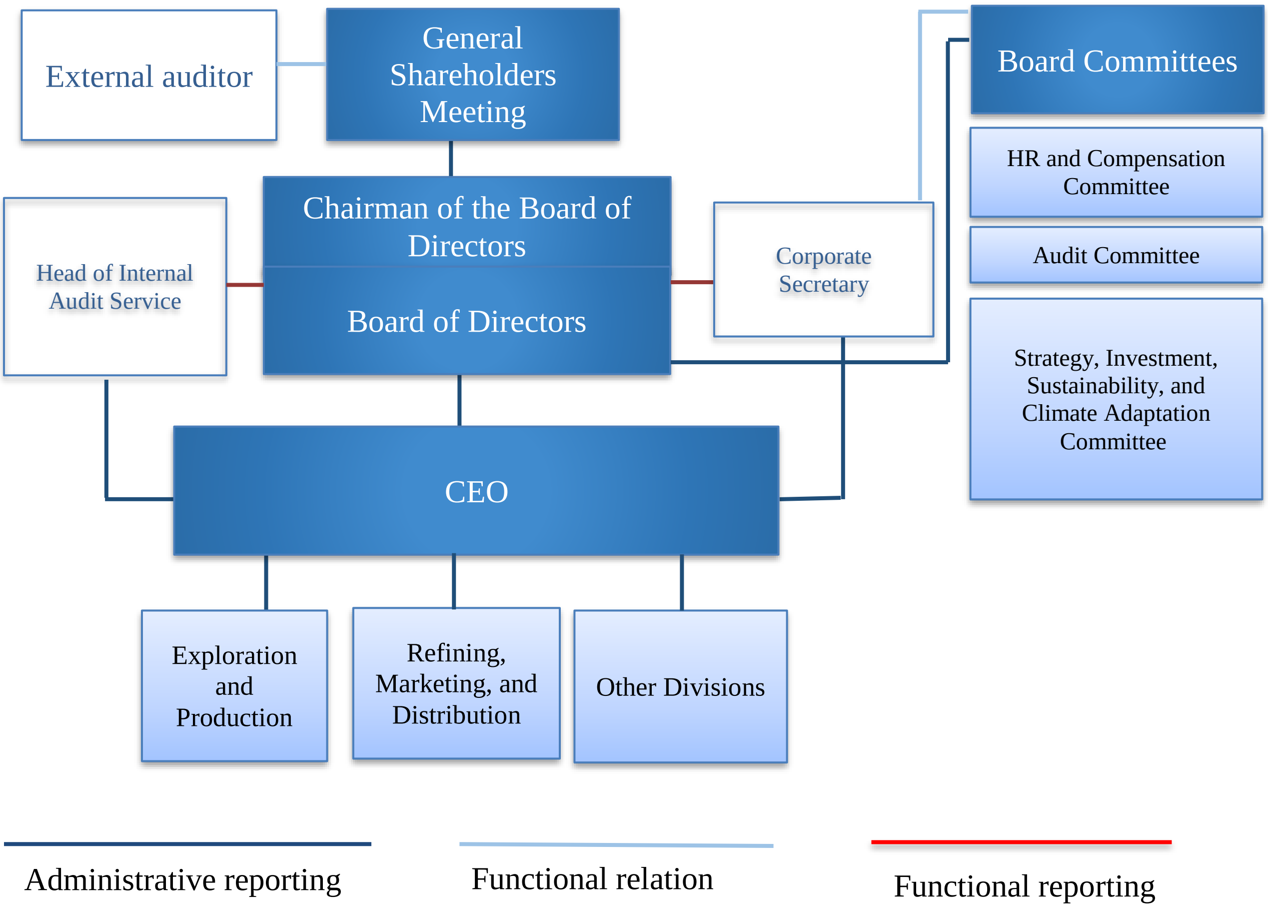
The Company is continuously improving its corporate governance system, which defines the relationship between the executive body, the Board of Directors, and all stakeholders. The Company's corporate governance system is aimed at defining goals and ways to achieve these goals as well as at ensuring effective interaction with all stakeholders.

The Company has a corporate governance system matching the scale of our business and based on international standards of corporate conduct and business ethics, Russian law, the Listing Rules of PJSC Moscow Exchange, and the principles of the Corporate Governance Code recommended by the Bank of Russia (the "Code").

LUKOIL's corporate governance system is based on the following key principles:

- Observance of the rights and taking into account the interests of shareholders, investors, and other stakeholders
- Equal opportunities for shareholders in exercising their rights
- Consistent and collegial decision making
- Proactivity and professionalism of members of governance bodies
- Stable and transparent dividend policy
- Information openness and transparency
- Prompt response to external challenges
- Zero tolerance for any form of corruption
- Adherence to ethical standards
- Corporate social responsibility

<u>Corporate Governance Structure of PJSC LUKOIL as at December 31, 2023</u>



Specific Committees:

- *Health, Safety, and Environment Committee of PJSC LUKOIL*
- *Tender Committee of PJSC LUKOIL*
- *Major Exploration and Production Projects Committee*
- *Priority Refining and Distribution Projects Committee*

PJSC LUKOIL’s corporate governance system is shaped, in particular, in line with the principles and recommendations outlined in the Corporate Governance Code recommended by the Bank of Russia. The Code regulations take into account international corporate governance practice, as well as the corporate governance principles developed by the Organization for Economic Co-operation and Development (OECD).

Developments in the Corporate Governance System

In 2023, we continued to improve our internal corporate procedures and practices and focused on the following areas.

Focus area	**Activities in 2023**
Improving performance of governance bodies	• The *Risk Management and Internal Control Policy of PJSC LUKOIL* was amended, providing, *inter alia*, for: - transfer of risk management functions from the Committee for Investments, Coordination of Plans, and Risks in LUKOIL Group to the Audit Committee of PJSC LUKOIL's Board of Directors - changes in PJSC LUKOIL's organizational structure and staffing list - commissioning of a new version of the corporate risk management information system. Subject to amendments to the Risk Management and Internal Control Policy of PJSC LUKOIL: • *Regulations on Risk Management at PJSC LUKOIL* were amended • A new version of the *Regulations on Internal Control at PJSC LUKOIL* were approved: - The documents take into account the recommendations of the Bank of Russia No. IN-06-28/143 dated October 1, 2020 and the increasing requirements of external regulators and other stakeholders, including state tax authorities, to the organization of the risk management and internal control system • *The Regulations on the Information Policy of Public Joint Stock Company "Oil Company 'LUKOIL' were approved*: - Due to the delisting of PJSC LUKOIL securities from the London Stock Exchange in 2022, the Company is no longer subject to EU and UK legal requirements for the listing of securities, including requirements related to the handling of insider information - A provision was introduced on the Company's right to disclose (provide) information, subject to disclosure (provision) in accordance with Russian laws, with limited content and/or to a limited extent, or not to disclose (not to provide) information in cases stipulated by the Russian Government - Ways to disclose, disseminate, and provide information are being refined • A new version of the *Code of Business Conduct and Ethics of PJSC LUKOIL* was approved: - The adjustments are technical in nature and reflect changes made to the Company's governance bodies due to the amendments to the Company's Charter as at December 2022 • The *Internal Control Rules of PJSC LUKOIL* were approved to prevent, identify, and counter the misuse of insider information and/or market manipulation: - The Rules summarize and replace local internal control regulations for preventing, identifying, and countering the misuse of insider information and/or the manipulation of the market at different levels, as

	well as for the handling of insider information, including in connection with the delisting and cancellation of trading in Company securities on the London Stock Exchange • Local regulations on internal audit were amended to improve the efficiency of audit activities at LUKOIL Group entities To bring the Company's internal documents regulating the activities of PJSC LUKOIL's Board Committees and Corporate Secretary in line with the amendments made to PJSC LUKOIL's Charter in December 2022 related to the structure of PJSC LUKOIL's governance bodies, the following documents were amended: • *Regulations on the Audit Committee of the Board of Directors of PJSC LUKOIL* • *Regulations on the Human Resources and Compensation Committee of the Board of Directors of PJSC LUKOIL* • *Regulations on the Strategy, Investment, Sustainability, and Climate Adaptation Committee of the Board of Directors of PJSC LUKOIL* • *Regulations on the Corporate Secretary of PJSC LUKOIL* Also, the *Procedure for the Remuneration and Reimbursement of Expenses of Members of the Board of Directors of PJSC LUKOIL* was amended to clarify the recording of in-person attendance of Board members at meetings of the Board of Directors and its Committees. In addition, the above internal documents were amended to further enhance the corporate culture, improve the efficiency of corporate governance, reinforce the system of corporate values, and improve methodological support.
Strategy and sustainable development	• Interim annual and semi-annual results of the Strategic Development Program of LUKOIL Group for 2022–2031 were summarized. • Interim results of the Environmental Safety Program of LUKOIL Group for 2022–2024 were summarized. • Interim results of the Program of Industrial Safety, Improvement of Labor Conditions and Occupational Safety, and Emergency Prevention and Liquidation of LUKOIL Group for 2022–2024 were summarized.

As at the end of the reporting period, the share of the Code principles that PJSC LUKOIL fully complied with decreased to 73.4 percent[20] from 74.7 percent in 2022. The share of the principles with partial compliance also decreased to 24.1 percent. The share of principles that PJSC LUKOIL are not complied with reached 2.5 percent.

[20] The Code compliance is assessed using guidelines based on comparisons between LUKOIL's practices and detailed Code recommendations Compliance with a paragraph of the Code is considered as partial if any single detailed recommendation in the paragraph has not been complied with. If none of the detailed recommendations in a paragraph have been complied with, the Company will be considered as noncompliant with the paragraph.

This decrease in compliance with the Code is due to objective reasons of a geopolitical nature. For example, based on Resolution of the Russian Government No. 1102 dated July 4, 2023, the Company does not publicly disclose a certain range of information, which results in lower rates of compliance with the Code principles.

Self-assessment by the Company of the corporate governance practices for compliance with the principles and recommendations of the Corporate Governance Code[21]

Corporate governance principles	Number of principles recommended by the Code	2022			2023		
		Full	**Partial**	**None**	**Full**	**Partial**	**None**
Shareholder rights and equal opportunities for shareholders in exercising their rights	13	11	2	–	11	1	1
Board of Directors	36	27	9	–	26	10	–
Corporate Secretary of the Company	2	1	1	–	1	–	1
Remuneration system for directors, executive bodies, and other key executives of the Company	10	9	1	–	9	1	–
Risk management and internal control system	6	6	–	–	6	–	–
Company disclosures and information policy	7	3	4	–	3	4	–
Material corporate actions	5	2	3	–	2	3	–
Total score	**79**	59	20	–	**58**	**19**	**2**
	100.0%	74.7%	25.3%	–	**73.4%**	**24.1%**	**2.5%**

For more details on the Corporate Governance Code compliance, see Appendix 1. Corporate Governance Code Compliance Report.

General Shareholders Meeting

The General Shareholders Meeting (the "Shareholders Meeting" or the "General Meeting") is the supreme governance body of PJSC LUKOIL and is responsible for making decisions on matters most crucial to the Company, including: approval of the Charter and other internal documents regulating the Company's activities, election of the Board of Directors members, approval of the Annual Report and annual accounting (financial) statements, dividend payment (announcement), appointment of the auditor, decisions on consent or subsequent approval of material and interested-party transactions (in cases stipulated by the Federal Law *On Joint Stock Companies*), etc.

[21] Statistics provided based on the Corporate Governance Code Compliance Report.

The full list of matters falling within the authority of the General Shareholders Meeting is set out in Federal Law No. 208-FZ *On Joint Stock Companies* dated December 26, 1995.

The procedure for holding the General Shareholders Meeting in place at LUKOIL ensures that all shareholders of the Company have an equal opportunity to participate in it.

In the reporting year, the federal law continued to apply, according to which[22] the shares recorded in the depo accounts of depository programs no longer grant voting rights, are not included in the vote count, and dividends on them are not paid.

General Shareholders Meetings of PJSC LUKOIL held in 2023 and resolutions they passed

Annual General Shareholders Meeting May 25, 2023 absentee voting	• PJSC LUKOIL Annual Report for 2022 and annual accounting (financial) statements were approved. • The resolution on dividend payment for 2022 was passed. • The new Board of Directors was elected. • A resolution was passed to pay remuneration to members of the Board of Directors; remuneration amounts for newly elected members of the Board of Directors were determined. • PJSC LUKOIL's audit firm was appointed. • Amendments to PJSC LUKOIL's Charter were approved, clarifying, inter alia, the number of members of the Company's Board of Directors and the way to send out ballots for voting at the Company's General Shareholders Meetings. • Amendments to the Regulations on the Procedure for Preparing and Holding the General Shareholders Meeting of PJSC LUKOIL were approved.
Extraordinary General Shareholders Meeting June 14, 2023 absentee voting	• The resolution on subsequent approval of an interested-party transaction was passed. • An interested-party transaction was approved.
Extraordinary General Shareholders Meeting December 5, 2023 absentee voting	• Resolution was passed on the interim dividend payout for nine months of 2023. • It was resolved to pay a part of remuneration to members of the Board of Directors for performing their duties.

In 2023, due to the current geopolitical situation, trade restrictions, and other restrictions, there was still a risk of not having the required quorum for General Shareholders Meetings, including due to non-participation of foreign shareholders in voting. To manage this risk, decisions were also made in preparation for General Meetings to convene repeat General Meetings to enable timely corporate decisions. However, a quorum was present at all General Meetings of the Company and, therefore, there was no need to convene repeat General Meetings.

[22] Article 6 of Federal Law No. 114-FZ *On Amendments to the Federal Law On Joint Stock Companies and Certain Legislative Acts of the Russian Federation*, dated April 16, 2022.

The proportion of shareholders holding voting shares in the Company, who participated in General Shareholders Meetings (presence of a quorum) in 2021–2023

June 24, 2021 (AGM)	December 2, 2021 (EGM)	May 30, 2022 (EGM)	June 21, 2022 (AGM)	December 5, 2022 (EGM)	May 25, 2023 (AGM)	June 14, 2023 (EGM)	December 5, 2023 (EGM)
72.8%	76.7%	65.8%	64.3%	55.6%	54.9%	A quorum is present[23]	53.9%

In particular, the electronic voting system simplifying the procedure for shareholders' participation in General Meetings helped achieve the quorum. At the Extraordinary General Shareholders Meeting held on December 5, 2023, the proportion of shareholders who used the electronic voting system reached the record high of 82.7 percent of the total number of Meeting participants.

The proportion of shareholders who used the electronic voting system in the total number of Meeting participants in 2021–2023

June 24, 2021 (AGM)	December 2, 2021 (EGM)	May 30, 2022 (EGM)	June 21, 2022 (AGM)	December 5, 2022 (EGM)	May 25, 2023 (AGM)	June 14, 2023 (EGM)	December 5, 2023 (EGM)
55.4%	61.6%	60.5%	58.2%	64.9%	69.3%	65.2%	82.7%

At the General Shareholders Meetings, shareholders demonstrated strong support for each resolution on the agenda items. Votes "in favor" on all agenda items[24] ranged from 98.3 percent to 99.9 percent.

In the reporting year, all electronic services available to the Company shareholders were integrated into a mobile application for Android and iOS devices. Therefore, in 2024, the Company shareholders will be able to use their mobile devices to study the materials for General Shareholders Meetings and vote online, receive the Company's answers to their questions as well as learn about the status of their personal accounts in the shareholder register and take advantage of electronic document flow with the registrar.

Board of Directors

The Board of Directors is responsible for general management of the Company, except for the matters reserved to the General Shareholders Meeting. The Board of Directors plays a crucial role in designing and developing the corporate governance system, ensures the protection and exercise of shareholder rights, and supervises the sole executive body.

[23] When passing a resolution on an interested-party transaction, the General Shareholders Meeting shall be deemed competent regardless of the number of shareholders holding voting shares in the Company who are not interested in the relevant transaction and take part in the Meeting.

[24] From the number of votes held by the persons who took part in the General Meetings on the relevant agenda item (except for items related to the election of members of the Board of Directors of PJSC LUKOIL).

The Board takes a consistent approach in its work to create long-term value and strikes the right balance between short- and long-term objectives. During strategic planning, possible options for the development of the Company's long-term performance are assessed based on scenario analysis.

To enable long-term value creation, the Board of Directors integrates a wide range of sustainability challenges into the Company's long-term strategy and approves the Company's non-financial KPIs. In addition, in the course of strategic planning, the Board of Directors reviews, approves, and monitors the implementation of the UN Sustainable Development Goals (UN SDGs) integrated into the long-term Strategic Development Program of LUKOIL Group.

The Board's authority and formation process as well as procedures for convening and holding Board meetings are determined by the Charter and Regulations on the Board of Directors of PJSC LUKOIL.

The Board of Directors, in particular, is responsible for:

- establishment of the Company's business priorities
- convocation of Annual and Extraordinary General Shareholders Meetings and preparations for General Shareholders Meetings
- appointment of the sole executive body (CEO)[25]
- approval of the Company's internal documents, excluding the internal regulations to be approved by the General Shareholders Meeting and the Company's executive body
- approval of the Company's registrar and terms of the contract with the registrar and its termination
- consent to transactions or subsequent approval of transactions in cases stipulated by law and the Company's Charter
- decisions on appointment and dismissal of the Company's Corporate Secretary and Head of the Internal Audit Service.

The Company's Board of Directors shall have nine members unless the Meeting resolves on a larger number of members on the Company's Board of Directors. The Board of Directors is elected annually during the Annual General Shareholders Meeting (and can be reelected during Extraordinary General Meetings) through cumulative voting, whereby candidates with the highest number of votes are elected to the Board of Directors.

By the Resolution of the Annual General Shareholders Meeting dated May 25, 2023 (Minutes No. 1), nine members of the Company's Board of Directors were elected.

The service of the member of the Company's Board of Directors elected at the Annual General Shareholders Meeting on May 25, 2023 (Minutes No. 1), who performed the functions of the Chairman of the Board of Directors, was terminated due to death (no changes were made to the composition of Committees).

Meetings of the Board of Directors are held in person and in absentia according to the approved plan, and when necessary, but generally at least once every two months.

[25] From the date of approval of amendments to PJSC LUKOIL's Charter by the Extraordinary General Shareholders Meeting of the Company on December 5, 2022.

Board of Directors' performance

In 2023, the Board of Directors held 19 meetings, including 9 in-person meetings and 10 meetings in absentia. Most of the matters related to corporate governance (including the activities of governance bodies), and close attention was paid to matters of sustainable development.

Meetings of the Board of Directors

	2021	2022	2023
In person	9	12	9
In absentia	10	16	10

Matters discussed by the Board of Directors

	2021	2022	2023
In person	45	57	45
In absentia	18	26	23

Matters discussed by the Board of Directors in 2023

Corporate governance	26
Sustainable development and strategy	19*
Finance	6
Transaction approval	4
Local regulations	11
Other matters	2

* Includes the approval of local regulations dealing with *sustainable development*.

Key decisions of the Board of Directors in 2023

Agenda and decisions	**Initial review by the Committees of the Board of Directors**
Corporate governance	
Preparations for the Company's Annual and Extraordinary General Shareholders Meetings, preliminary approval of PJSC LUKOIL Annual Report for 2022, determination of the list of nominees for election of members of the Board of Directors	SISCAC, AC, HRCC[26]
Convocation of the repeat Annual and repeat Extraordinary General Shareholders Meetings as well as cancellation of corresponding resolutions	
Reliability and performance of the Company's risk management and internal control system	AC
Amendments to the 2023 Annual Audit and Consulting Engagements Plan for the Internal Audit Service of PJSC LUKOIL	AC
Amendments to the key provisions of the contract of PJSC LUKOIL's CEO	HRCC

[26] SISCAC – Strategy, Investment, Sustainability, and Climate Adaptation Committee; AC – Audit Committee; HRCC – Human Resources and Compensation Committee.

Performance assessment of the Board of Directors and the Board Committees for 2022–2023	HRCC, AC, SISCAC – performance assessments of the Committees were considered
Independent external performance assessment of PJSC LUKOIL’s Board of Directors	HRCC
Independence of members of the Board of Directors of PJSC LUKOIL and professional qualifications of the Board of Directors	HRCC
Amendments to the Regulations on the Audit Committee of the Board of Directors of PJSC LUKOIL and to PJSC LUKOIL’s local regulations governing risk management at LUKOIL Group	AC
Amendments to the Regulations on the Human Resources and Compensation Committee of the Board of Directors of PJSC LUKOIL	HRCC
Amendments to the Regulations on the Strategy, Investment, Sustainability, and Climate Adaptation Committee of the Board of Directors of PJSC LUKOIL	SISCAC
Amendments to the Regulations on the Corporate Secretary of PJSC LUKOIL	HRCC
Amendments to the Procedure for the Remuneration and Reimbursement of Expenses of Members of the Board of Directors of PJSC LUKOIL	HRCC
Approval of the Regulations on the Information Policy of Public Joint Stock Company “Oil Company ‘LUKOIL’”	AC
Approval of the Internal Control Rules of PJSC LUKOIL to prevent, identify, and counter the misuse of insider information and/or market manipulation	AC
Approval of the Regulations on Internal Control at PJSC LUKOIL	AC
PJSC LUKOIL’s investor and shareholder relations in 2023	SISCAC
Review of the report on performance of the 2022 Annual Audit and Consulting Engagements Plan for the Internal Audit Service of PJSC LUKOIL, and internal audits	AC
Approval of the 2024 Annual Audit and Consulting Engagements Plan for the Internal Audit Service of PJSC LUKOIL and the Internal Audit Budget for 2024	AC
Finance	
Determination of the amount of payment for the services of the Company’s audit firm	AC
Key indicators of LUKOIL Group’s Budget for 2024–2026	SISCAC
Recommendations to the Company’s Board of Directors on the amount of dividends on PJSC LUKOIL shares for 2022 and the first nine months of 2023, and on the dividend payment procedure	SISCAC
Sustainable development, strategy, technology, and innovation	
LUKOIL Group’s preliminary results for 2022 and priorities for 2023 under the Strategic Development Program of LUKOIL Group for 2022–2031	
LUKOIL Group’s results for the first half of 2023 and performance of LUKOIL Group’s Budget and LUKOIL Group’s Investment Program for 2023	
Sustainable development priorities and climate agenda in the early 2020s in Russia and globally	

Approval of LUKOIL Group Sustainability Report for 2022	SISCAC
LUKOIL Group HR Management Report	HRCC
Amendments to the Regulations on PJSC LUKOIL's Management Remuneration and Incentive System	HRCC
Approval of the Regulations on the Long-Term Incentive Program for Key Employees of LUKOIL Group for 2023–2025	HRCC
Approval of the Code of Business Conduct and Ethics of PJSC LUKOIL	HRCC
Import substitution in the Exploration and Production segment as a contributor to the resilience of LUKOIL Group's business	SISCAC
Import substitution in oil refining and petrochemicals as a contributor to the resilience of LUKOIL Group's business	SISCAC
Performance of the Power Generation business segment. Results of integration of new assets into LUKOIL Group	SISCAC
HSE performance of LUKOIL Group in 2022	SISCAC

Board of Directors' performance assessment

The Board of Directors relies on the assessment procedure to identify areas of its performance improvement. PJSC LUKOIL was one of the pioneers in the Russian oil and gas industry to start assessing the performance of the Board and its Committees on a regular basis. The Company introduced this practice back in 2010.

The Company's procedure for assessing the performance of the Board of Directors is governed by the Regulations on Performance Assessment of the Board of Directors of PJSC LUKOIL. In 2023, the annual assessment of the Board of Directors' performance was carried out in the form of self-assessment.

Assessment in the form of self-assessment

The questionnaire on the annual self-assessment of the Board of Directors and its Committees is detailed and includes 63 questions split into several groups.

Criteria groups for the Board of Directors performance	Criteria groups for the Board of Directors' Committees performance
• Structure and composition of the Board of Directors • Performance of key functions by the Board of Directors • Administration of the Board of Directors	• Composition of the Board of Directors' Committee • Committee functions • Administration of the Board of Directors' Committee

The assessment results are summarized based on the questionnaires filled out by members of the Board of Directors. As part of the assessment, the Chairman of the Board of Directors discusses the results of relevant Committees' performance assessments with the Committee Chairmen and members and reports these results at a meeting of the Board of Directors as part of the discussion of the aggregate annual assessment results. Granular discussion with members of the Board of Directors serves to analyze matters that require special attention from the Board of Directors and identify possible solutions.

The Board of Directors reviewed the results of self-assessment in April 2023 and gave a positive assessment of its performance in 2022–2023 having deemed it expedient to continue improving its performance. During self-assessment, the directors noted that in 2022–2023 the Board paid sufficient attention to reviewing matters related to the implementation of the Company's strategic development program as well as matters related to maintaining the sustainability of the Company's operations amid international trade and other restrictions.

Independent external assessment

In accordance with the Regulations on Performance Assessment of the Board of Directors of PJSC LUKOIL, an independent external assessment is conducted at least once every three years, which is in line with the recommendations of the Corporate Governance Code. In 2021, an independent external assessment of the Board of Directors' performance was conducted for the first time.

In October 2023, the Board of Directors, based on a recommendation of the HR and Compensation Committee, decided to conduct an independent external assessment of the Board of Directors' performance in 2023 and in the first quarter of 2024.

Board of Directors' composition

PJSC LUKOIL's Board of Directors consists of highly professional individuals. We believe that our Board of Directors is both well-balanced in the proportions of independent, executive, and non-executive directors and well-diversified in terms of directors' professional qualifications.

Independent directors ensure impartial consideration of matters while their independent judgements help improve the Board's performance and the Company's corporate governance system as a whole.

As at the end of 2023, the Board of Directors included one executive[27] director, whose service enabled integration of the Board and the Company's sole executive body and promoting well-informed managerial decision making based on industry knowledge.

Board of Directors Chairman's role

The Chairman of the Board of Directors plays the key role in ensuring strong performance of the Board of Directors and its Committees. The Chairman shall facilitate the best performance of assigned duties by the Board of Directors. The Chairman shall also maintain a constructive environment at meetings, enable free discussions of agenda items, and supervise the execution of resolutions passed by the Board of Directors. The Chairman of the Board of Directors shall take all steps for the timely provision to members of the Board of Directors of information required to pass resolutions on agenda items.

The Chairman of the Board of Directors is elected at the first meeting of the newly elected Board of Directors. The Chairman of the Board of Directors organizes the Board's work, convenes and chairs its meetings, and arranges for keeping the minutes of meetings. The Chairman proposes candidates to the Committees of the Board of Directors based on their professional and personal qualities and taking into consideration directors' individual proposals on the Committees setup.

In the absence of the Chairman, the above functions are performed by the Deputy Chairman.

[27] Executive directors are individuals employed by the Company.

Independent directors

Independent directors play an important role in effective performance of duties by the Board of Directors, particularly on the issues related to the Company's development strategy and managing risks, as well as protecting the interests of both shareholders and investors.

Independent directors help develop objective and well-balanced opinions on the matters discussed at meetings.

At the time of election, the Company's Board of Directors comprised nine members, three of which were independent directors – a sufficient number for the objective and well-informed decision-making process. All independent directors are members of Committees, all of them serving as Chairmen of Committees and two being members of two Committees simultaneously.

The independence of each director and candidate to the Board of Directors was assessed during 2023 as per the Listing Rules of PJSC Moscow Exchange and provisions of the Corporate Governance Code through questionnaires filled out by Board members or nominees and the analysis of available information by the Company. The HR and Compensation Committee of the Board of Directors assessed directors' independence three times in 2023. In March 2023, the Committee analyzed the professional qualifications and independence of all candidates to the Company's Board of Directors, and the results of independence assessment were included into the materials provided for review in preparation for the Annual General Shareholders Meeting. In May, the Committee assessed the independence of the Board of Directors elected at the Annual General Shareholders Meeting and prepared its recommendations to the Board. Next, the independence of all members of the Board of Directors was reviewed by the Board. At its meeting in November 2023, the HR and Compensation Committee reviewed the Board's independence once again, while also assessing professional qualifications of the Board.

Diversity in the Board of Directors

According to the Corporate Governance Code, candidates to the Company's governance bodies must have relevant professional qualifications, knowledge, experience, expertise, and business skills.

The current version of the Code does not outline recommendations on ensuring a fair representation of gender, age, or any other diversity in corporate governance bodies. Therefore, PJSC LUKOIL does not currently have policies or other internal regulations approving the application of such approaches.

At the same time, we believe that the performance of the Board of Directors is positively affected by the diversity of professional skills and expertise, and sociocultural diversity based on gender, age, nationality, social background, etc. Such diversity provides the Board of Directors with different points of view, helps avoid one-size-fits-all mentality and group think, brings new ideas to discussions, and contributes to well-balanced decision making. The current Board of Directors is sufficiently diversified and balanced.

Length of service on the Board of Directors as at December 31, 2023

Less than 1 year	1
1 to 7 years	6*
Over 7 years	2

* Membership of one member of the Board Directors was terminated on October 24, 2023.

Gender

Female	2
Male	7*

* Membership of one member of the Board Directors was terminated on October 24, 2023.

Education

Academic degrees	11*
Oil and gas	1
Economics and finance	4**
Law	1
Mathematics	1
Engineering	2
Geography	1

* Two members of the Board of Directors hold doctoral degrees in two different branches of science.
** One member of the Board of Directors holds academic degrees in two different fields of knowledge.

Induction of new members of the Board of Directors and information support of the Board's activities

Newly elected directors complete an induction training program no later than 30 days following their election date.

Key elements of the program:

- Personal meetings with PJSC LUKOIL's CEO, Chairman of the Board of Directors, Corporate Secretary, top management, and/or heads of corporate business units
- Familiarization with internal documents
- Familiarization with operations, including on-site visits to the Group's production facilities

The Corporate Secretary runs the induction training program and coordinates interaction between all involved parties with the assistance and management of the HR and Compensation Committee of the Board of Directors.

In 2023, 14 induction meetings for newly elected members of the Board of Directors with the Company's executives representing various business activities were set up under the program. During these meetings, members of the Board of Directors were provided with information on the main aspects of the Company's production, financial, and economic activities, its strategy, business practices adopted by the Company, and markets of operation. The newly elected directors were informed about the procedures regulating the Board of Directors' and its Committees' activities and assessment; the rights, duties, and responsibilities of a member of the Board of Directors; and the principles of the Company's risk management, internal control, and internal audit systems.

To ensure effective provision of information to directors, PJSC LUKOIL uses up-to-date information and technical resources, including dedicated software.

Liability insurance of Board members

Pursuant to the contract (policy) with JSC GARDIA on insuring the liability of directors, officers, and companies for 2023–2024, PJSC LUKOIL insures the liability of:

- the sole executive body, members of governance bodies, employees of PJSC LUKOIL and/or its subsidiaries, and/or other organizations with an interest of PJSC LUKOIL and/or its subsidiaries whose candidates were elected as the sole executive body and/or members of the governance bodies of such organizations (Coverage A)
- PJSC LUKOIL, PJSC LUKOIL's subsidiaries, other organizations with participation of PJSC LUKOIL and/or its subsidiaries whose candidates were elected as the sole executive body and/or members of the governance bodies of such organizations (Coverage B)
- PJSC LUKOIL and its subsidiaries against claims relating to securities (Coverage C).

The insured amount (liability limit) makes up RUB 3,200,000,000 (in aggregate for all Coverages). Insurance premium for Coverages A, B, and C does not exceed RUB 64,000,000.

Board Committees

PJSC LUKOIL's three Board Committees improve the effectiveness of resolutions passed by the Board of Directors and are engaged in the preliminary detailed review of the most essential matters while preparing relevant recommendations for the Board of Directors:

- Strategy, Investment, Sustainability, and Climate Adaptation Committee (SISCAC)
- Audit Committee (AC)
- HR and Compensation Committee (HRCC)

Committee activities are governed by applicable regulations.

The Committees are fully accountable to the Board of Directors. Committee members are elected from among the Board members and in line with both best practice and the requirements of the Listing Rules of PJSC Moscow Exchange. The Committees include a significant number of independent directors. This approach fosters objective and well-balanced recommendations. All Committee members have an adequate combination of strong expertise and extensive experience, including hands-on experience.

As of the end of the reporting year, independent directors made up two-thirds of all directors on the Audit Committee and the HR and Compensation Committee. All three Committees were chaired by independent directors. This made them well-positioned to contribute significantly to the decision-making process when setting strategic goals, identifying PJSC LUKOIL's business priorities, ensuring sustainable development, or making other important decisions that may affect shareholder interests. Both LUKOIL employees and third parties may attend Committee meetings upon invitation from a Committee Chairman. However, they may not vote on agenda items.

Secretarial duties of the Board of Directors' Committees are performed by the Corporate Secretary.

Eighty percent of all matters discussed by the Board of Directors in 2023 were previewed by the Board Committees, ensuring detailed discussions on the most essential matters brought up for the Board's approval. In the reporting year, all Committees worked as planned; 75 percent of all meetings were held in person.

Committee membership as at December 31, 2023

Independent directors	45.5%
Non-executive directors*	45.5%
Executive directors	9%

* At the time of election. Membership of one member of the Board Directors was terminated on October 24, 2023.

Committee meetings

	In person	In absentia
2021		
SISCAC	7	1
AC	9	0
HRCC	6	2
2022		
SISCAC	7	1
AC	7	3
HRCC	8	8
2023		
SISCAC	5	0
AC	7	0
HRCC	6	6

Matters discussed

	2021	2022	2023
Reviewed by the Committee only	26	27	17
Reviewed for submission to the Board	49	56	55

Strategy, Investment, Sustainability, and Climate Adaptation Committee

Key Committee tasks	Key topics covered in 2023*
• Preparation of recommendations to the Board of Directors on: – defining the strategic objectives of the Company's business, including in sustainability, climate change, climate adaptation, and IT strategy, and integrating them into the Company's Strategic Development Program – the Company's business priorities – the dividend policy, the amount of dividends to shareholders, and dividend payment procedure – the distribution of the Company's profit (losses) for the reporting year – assessment of the Company's long-term performance • Involvement in monitoring progress against the Company's Strategic Development Program • Analysis of risks associated with climate change and climate adaptation	• Recommendations to the Board of Directors on the amount of dividends on PJSC LUKOIL shares • Performance of the Power Generation business segment. Results of integration of new assets into LUKOIL Group • Preparation of LUKOIL Group's Sustainability Report for 2023

* The list of key decisions made by the Board of Directors based on the Committee's recommendations is provided in the Board of Directors section.

Audit Committee

Key Committee tasks	Key topics covered in 2023*
• Reviewing the Company's accounting (financial) statements for completeness, accuracy, and reliability • Preparing recommendations regarding the Company's audit firm and the audit firm's remuneration • Reviewing the opinion of the Company's auditor firm and determining the audit firm's independence, objectivity, and absence of a conflict of interest • Assessing effectiveness of the internal audit and considering proposals for improvement • Reviewing the Company's internal audit activity plans and budget • Assessing the effectiveness of the Company's risk management and internal control procedures and reviewing the reliability and performance of the risk management and internal control system • Developing and improving the Company's corporate governance system and practices • Making recommendations for the Board's possible preliminary approval of the Company's Annual Report	• Discussion of material accounting issues, including the Company's accounting policy, and material matters that arose during the independent external audit • Review of consolidated financial statements of PJSC LUKOIL under IFRS (for 2022, the first quarter of 2023, the first six months of 2023, and the first nine months of 2023) • Material litigations and claims related to the operations of LUKOIL or other LUKOIL Group entities • Review of the most material amendments to accounting reports following the audit results • Assessment of the opinion of the Company's audit firm to be provided to shareholders for review in preparation for the Annual General Shareholders Meeting • Recommendations to the Board of Directors regarding the audit firm for its subsequent appointment by the Company's General Shareholders Meeting • Prevention, identification, and countering of the misuse of insider information and/or market manipulation • Progress report on the Regulations on the Information Policy of PJSC LUKOIL • Recommendations to the Board of Directors of PJSC LUKOIL on approval of the list of engagements that do not provide assurance (non-audit services) performed by the audit firm

* The list of key decisions made by the Board of Directors based on the Committee's recommendations is provided in the Board of Directors section.

To improve the corporate governance system, the Board of Directors of PJSC LUKOIL amended the Regulations on the Audit Committee of the Board of Directors of PJSC LUKOIL in October 2023 by drafting their new version developed in line with applicable laws, the Corporate Governance Code of the Bank of Russia, and the Listing Rules of PJSC Moscow Exchange, as well as in accordance with the amendments to the Federal Law *On Joint Stock Companies* and amendments to the Charter of PJSC LUKOIL approved by the Extraordinary General Shareholders Meeting of PJSC LUKOIL on December 5, 2022.

HR and Compensation Committee

Key Committee tasks	Key topics covered in 2023*
• Assessing the performance of the Board of Directors, its members, and Committees; identifying priority areas to strengthen Board composition; and making preliminary consideration of candidates to the Board of Directors nominated by the Board of Directors • Communicating with shareholders to prepare recommendations for voting in the election of candidates to the Board of Directors • Planning staff appointments, including with a view to ensuring succession of the CEO of PJSC LUKOIL, and developing recommendations to the Board of Directors on candidates to the positions of the Company's CEO and Corporate Secretary • Development and regular reviews of the Company's policy on remunerating members of the Board of Directors and the CEO of the Company • Making recommendations to the Board of Directors on determining the remuneration of the Corporate Secretary • Pre-assessing the performance of the Company's CEO for the full year against criteria set forth in the remuneration policy	• Preliminary consideration of candidates to the Company's Board of Directors nominated by the Board of Directors • Recommendations to the Company shareholders on voting in the election of the Company's Board of Directors Reviewing the independence of all candidates to the Company's Board of Directors. • Report to the Company's Board of Directors on the performance of the Committee in 2022–2023. Discussing the Committee performance assessment • Assessment of professional qualifications for all candidates to the Company's Board of Directors to prepare recommendations to the Company shareholders on voting in the election of the Company's Board of Directors • Independence of members of PJSC LUKOIL's Board of Directors • Professional qualifications of the Board of Directors • Independent external performance assessment of PJSC LUKOIL's Board of Directors

* The list of key decisions made by the Board of Directors based on the Committee's recommendations is provided in the Board of Directors section.

Corporate Secretary

The Corporate Secretary functionally reports to the Board of Directors, is appointed by the Company's sole executive body based on a resolution of the Board of Directors, and acts in line with PJSC LUKOIL's Charter and Regulations on the Corporate Secretary. An office of the Corporate Secretary has been set up to assist in this work.

The Corporate Secretary's duties are to provide support to the Board of Directors and its Committees, including preliminary consideration of matters to be discussed, organizing expert assessment of draft resolutions, ensuring compliance with meeting procedures, assisting directors in obtaining necessary information, as well as performing all other functions provided for by the Regulations on the Corporate Secretary of PJSC LUKOIL.

The Company's Sole Executive Body

Pursuant to amendments to the Charter of PJSC LUKOIL approved by the Extraordinary General Shareholders Meeting of PJSC LUKOIL on December 5, 2022, the Company only has a sole executive body – the CEO of PJSC LUKOIL.

CEO

The Company's sole executive body, the CEO appointed by the Board of Directors[28] for a term of five years, plays a key role in ensuring the timely and efficient performance of the Company's operating and strategic tasks.

The key provisions of the contract with the CEO are subject to preliminary review by the HR and Compensation Committee of the Board of Directors and final approval by the Board of Directors.

The CEO's scope of authority covers all matters of managing the Company's day-to-day operations, except for matters reserved to the Company's General Shareholders Meeting or Board of Directors. This includes representing the Company's interests, entering into transactions on behalf of the Company, signing financial documents, approving staff and signing employment contracts, approving the Company's organization, approving internal documents regulating its day-to-day operations, making decisions on the Company's participation in other entities (except for financial and industrial groups, associations, and other unions of legal entities), as well as developing and implementing the overall growth strategy of the Company's subsidiaries, including preliminary approval of decisions of the Company's subsidiaries regarding stakes in other entities, coordinating the activities of the Company's subsidiaries, including the approval of documents governing their operations, making decisions to approve material transactions, and performing other functions established by the Company's Charter.

Remuneration System for Members of the Company's Governance Bodies

When shaping the remuneration system and determining the particular remuneration for members of PJSC LUKOIL's governance bodies, the actual amounts payable are expected to be sufficient to engage, motivate to work efficiently, and retain individuals with the skills and qualifications required by the Company.

Remuneration system for members of the Board of Directors

The guidelines on remuneration and compensation of members of the Board of Directors, including their structure and terms of payment, are formalized in the Director Compensation and Expense Reimbursement Policy of PJSC LUKOIL (the "Remuneration Policy").

The Remuneration Policy has been developed based on principles and recommendations of the Corporate Governance Code and reflects the practices of remuneration and compensation accrual currently in place at the Company.

The Company believes that its preferred form of monetary remuneration payable to members of the Board of Directors is fixed annual remuneration not linked to any operational, financial, or other performance of the Company. Furthermore, the Company pays additional remuneration for the higher responsibility levels and additional time spent on directors' involvement in Committee activities, discharging the functions of the Chairman of the Board of Directors and Committee Chairmen.

Directors' remuneration does not include short- and long-term incentive payments or additional benefits, including any insurance (except for the liability insurance of members of the Board of Directors), pension, and other social benefits.

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[28] Prior to the amendments to the Charter of PJSC LUKOIL approved by the Extraordinary General Shareholders Meeting on December 5, 2022, the matter of appointing the sole executive body was reserved to the General Shareholders Meeting.

The Company does not provide for any extra payments or compensations in the event of early termination of directors' tenure.

Remunerations are determined by the General Shareholders Meeting and reflect proposals of the Board of Directors, which are based on recommendations of the HR and Compensation Committee.

The Company also compensates for the costs incurred by members of the Board of Directors to discharge their duties, including costs of traveling, using teleconferencing services, engaging advisors and experts to obtain their opinions on matters pertaining to the activities of the Board of Directors, with the total not exceeding the budget allocated by the Company.

Remuneration structure for members of the Board of Directors

Type	**Amount established by the resolution of the Annual General Shareholders Meeting held on May 25, 2023 for 2023–2024 corporate year, RUB thousand**
Remuneration to the member of the Board of Directors	12,000
Remuneration to the Board Chairman	10,000
Remuneration to the Board Deputy Chairman	3,000
Remuneration to the member of a Board Committee	1,300
Remuneration to the Chairman of a Board Committee	1,300
Remuneration for each in-person attendance at Board or Committee meeting requiring a flight longer than eight hours	400
Remuneration for each attendance at a conference or other event attended on written instruction of the Chairman of the Board of Directors	200

Members of the Board of Directors who are concurrently employed by the Company also receive other payments from the Company (salary, bonuses, and additional social benefits).

Payments to the Board of Directors, RUB thousand

	2021	**2022**	**2023**
Total payments to the Board of Directors	**202,913**	**270,492**	**391,444**
Remuneration of members of the Board of Directors	102,625	133,421	150,095
Compensation of costs	620	2,269	2,432
Payments to members of the Board of Directors who are (were) employed by the Company*	99,669	134,802	238,917
Including: *salary*	*32,679*	*43,451*	*91,884*
bonuses	*40,435*	*50,532*	*65,820*
other types of remuneration	*26,554*	*40,818*	*81,213*

* In 2021–2022: payments to members of the Board of Directors who are (were) employed by the Company but are not members of the Company's executive bodies.

Top management[29] remuneration system

The top management remuneration system was developed to ensure the delivery of business targets, promote strategic business activities, and support a uniform, systematic, and consistent approach to financial incentives for key executives. The balance of interests between the Company's management and shareholders is key to the top management remuneration system in place at the Company.

The top management remuneration system is set out in the Regulations on PJSC LUKOIL's Management Remuneration and Incentive System.

Top management remuneration is comprised of fixed and variable components.

The fixed component consists of a salary determined taking into account the complexity of tasks and duties to perform, the scope of work under the direct influence of the key executive in question, and the extent of such influence. The fixed component also includes additional payments for discharging the duties of other temporarily absent key executives. The salaries are in line with the market, which ensures the retention of key executives.

The variable component consists of annual bonuses and may also include one-off and target bonus payments and other payments.

Annual bonuses are paid as end-of-year bonuses and are intended to incentivize top managers to meet full-year targets. To determine annual bonuses, performance against the pre-set key performance indicators is analyzed and approved. There are two types of KPIs: Company-wide (team performance) and individual (key executive's performance within the business line the top manager is responsible for).

Performance indicators used for annual bonus payments to key executives

Indicator group	**Indicators**	**Group weight**
Company-wide	• LUKOIL Group's profit for the year • LUKOIL Group's free cash flow • Hydrocarbon production volume • Ensuring HSE compliance across LUKOIL Group entities	**From 50% to 100%**
Individual	Personalized for each key executive in accordance with targets and objectives of their business line	**Under 50%**

The balance of the Company-wide and individual components is determined by the functional activity for which the key executive is responsible. Annual bonuses paid to the CEO of PJSC LUKOIL are based on Company-wide indicators. The weighting of the Company-wide and individual components and annual salary-based bonus targets are set out in the Regulations on PJSC LUKOIL's Management Remuneration and Incentive System. To incentivize management, the Company specifically sets priority KPIs that have stronger impact on bonuses than others. The Company-wide priority KPIs are LUKOIL Group's profit and free cash flow.

[29] Top manager (key executive) – CEO, First Executive Vice President, First Vice Presidents, Senior Vice Presidents, Vice Presidents of the Company, and Chief Accountant.

Individual KPIs used for certain key executives also include the free cash flow of relevant business segments and business sectors.

Our management remuneration system also uses long-term incentives to drive better performance in the medium and long term. The incentives are set out in the Regulations on the Long-Term Incentive Program for Key Employees of LUKOIL Group for 2023–2025 and are intended to build an interest in the Company's long-term performance, enhance its investment case, and create shareholder value.

Payments to key executives* of PJSC LUKOIL, RUB thousand

	2023
Total payments	**2,665,862**
Salary	827,861
Bonuses (annual and other bonuses)	936,730
Other payments	901,271

* Key executives who are (were) not members of the Board of Directors.

Severance pay for top management

In the event of early termination of the employment contract, a key executive officer is entitled to a severance pay in the amount of the sum of their basic salary for 12 months.

The contract of PJSC LUKOIL's CEO has the term of five years and may be terminated early subject to giving not less than one month's preliminary notice of termination. In the event of early termination of the employment contract, the CEO is entitled to a severance pay equal to the sum of their basic salary for 24 months.

Performance Assessment System

The Company has in place a corporate performance assessment system based on key performance indicators (KPIs) – a limited set of quantifiable metrics reflecting the most important (key) factors of the Group's success and measuring achievement of the strategic goals.

The List of KPIs enumerates KPIs, sets out their calculation methodology, and is approved by an executive order of PJSC LUKOIL and reviewed at least once every two years. This makes it possible to adjust and update KPIs as necessary, taking into account LUKOIL's revised strategic goals and plans, changes in its asset portfolio, and the external environment. The latest amended List of KPIs was approved by an executive order of PJSC LUKOIL in January 2023. LUKOIL Group's List of KPIs has around 70 unique indicators applied across business segments, business sectors, and budgetary units depending on the nature of their activities. The total number of KPIs for LUKOIL Group is around 400.

As part of the efforts to achieve the Company's goals in decarbonization and climate change adaptation, the Company included the KPIs for GHG emissions management in its List of KPIs in the reporting year.

As part of developing our service model and improving (automating, lowering costs, improving the quality) support processes, performance assessment indicators were developed for each process to monitor the achievement of targets for the relevant processes and boost the performance of employees involved in these processes across the Company.

KPIs in planning

KPIs align goals and objectives on different planning horizons: long-term – 10 years; mid-term – 1 to 3 years. Furthermore, as the planning horizon becomes shorter, the set of applicable KPIs expands.

In budget planning, KPIs are used as target guides both at the stage of target development for top-down planning and at the stage of final formalization of targets and objectives as benchmark indicators against which subsequent performance assessment is carried out.

Performance management through KPIs

KPIs are crucial for managing both the overall performance of LUKOIL Group and the individual performance of its assets. Performance assessment is carried out on a regular basis and includes:

- monitoring current results of operations on a monthly (and in some cases, weekly) basis
- summing up the results of operations quarterly and annually.

Certain indicators – first of all, financial ones – are subject to factor analysis which identifies controllable and uncontrollable factors. It helps give an objective assessment of how executives impact LUKOIL Group entities' performance.

KPIs and personal objectives in the motivation system

Key performance indicators included in the List of KPIs are used in the motivation system by linking remuneration to the actual performance against target indicators.

A limited well-balanced range of indicators from the List of KPIs is selected directly from the assessed employee's area of responsibility to be used in the motivation system.

In 2023, following a project to streamline and improve corporate governance as regards the motivation system:

- performance assessment indicators were decomposed to lower governance levels (down to the level of PJSC LUKOIL's department heads)
- KPIs for subsidiaries, including production and service centers, were refined
- new performance assessment indicators for business processes were developed
- the use of individual SMART (Specific, Measurable, Achievable, Relevant, Time-bound) goals for motivation was expanded.

Risk Management and Internal Control System

PJSC LUKOIL's risk management and internal control system (RMICS) is an integral part of the Company's corporate governance.

The RMICS is organized and operates to provide reasonable assurance of achieving the following goals and objectives in the context of uncertainties and negative factors:

- the Company's strategic and operational goals
- asset integrity
- compliance of all types of reports with established requirements
- compliance with the applicable laws and internal documents of LUKOIL Group entities.

The RMICS is organized and operates in accordance with the following key principles	
• Integration with the Group's corporate governance system and business processes • Risk orientation • Ongoing operation continuity • Full coverage of the Group's business • Adaptiveness through self-improvement and development • Methodological unity	• Employee responsibility for risk management and internal control performance • Sufficiency of actions to achieve goals • Economic feasibility • Division of authority, duties, and responsibilities • Process formalization • Informational content

Risk management and internal control processes are interrelated continuous processes followed by governance bodies and employees while performing their functions.

The Resolution of the Board of Directors of PJSC LUKOIL dated April 17, 2023 amended the Risk Management and Internal Control Policy of PJSC LUKOIL by drafting a new version developed in accordance with the recommendations of the Corporate Governance Code recommended as a guidance for publicly traded joint stock companies by the Bank of Russia's Letter dated April 10, 2014 and the Bank of Russia's Information Letter No. IN-06-28/143 On Recommendations of the Bank of Russia for Public Joint Stock Companies to Organize Risk Management, Internal Controls, Internal Auditing, and the Work of Auditing Committees under Boards of Directors (Supervisory Boards), dated October 1, 2020, as well as recommendations of international risk management and internal control organizations, including those set out in the Enterprise Risk Management – Integrated Framework and Internal Control – Integrated Framework concepts of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Key participants of LUKOIL Group's RMICS

Board of Directors

- Defines Group-wide principles of, and approaches to, the RMICS organization
- Sets the risk level (risk appetite)
- Controls the reliability and performance of the RMICS

Audit Committee of the Board of Directors

- Analyzes and assesses compliance with the Risk Management and Internal Control Policy
- Assesses the effectiveness of the Company's RMICS procedures, develops improvement proposals
- Considers the feasibility of revising the target risk level (risk appetite)
- Reviews the list and nature of material risks
- Develops recommendations on approval of internal documents governing the Risk Management and Internal Control Policy
- Reviews key focus areas of the RMICS development
- Reviews reports on the RMICS operation and development

Internal audit units

- Carry out independent assessment of the RMICS reliability and performance
- Develop recommendations for RMICS improvement

CEO

- Creates and maintains a functional and effective RMICS
- Determines the RMICS improvement and development tasks
- Establishes guidelines and requirements for the RMICS, formalized in local regulations
- Makes decisions on the RMICS organization within the scope of its authority
- Controls the performance, improvement, and development of the RMICS

First Vice President (Economics and Finance)

- Leads the development of proposals to improve and develop the Risk Management and Internal Control business processes
- Initiates reviews of draft improvement and development resolutions for the RMICS
- Informs the Company's governance bodies on the RMICS operation

Units that ensure the performance of the Risk Management and Internal Control business processes

- Coordinate the Company's activities to improve and develop the RMICS
- Develop and update local regulations defining the key principles, rules, and guidelines of the risk management and internal control processes, and control compliance
- Draft proposals for the RMICS development and improvement
- Develop guidelines on the RMICS organization and development for the Company's business units and LUKOIL Group entities
- Provide training on risk management and internal control
- Develop LUKOIL Group's risk profile and consolidated risk management reports
- Develop a list of material risks to be reviewed by the Audit Committee of the Board of Directors

Heads of business units

- Organize and implement risk management and internal control processes for the business lines
- Integrate risk management and internal control into business processes under their management
- Control compliance with risk management and internal control standards and requirements (including reliability and performance) in subordinate business units

Heads of the Company's subsidiaries

- Create and maintain a functional and effective RMICS within the entity
- Control the RMICS performance

Employees of LUKOIL Group entities

- Build, maintain, and continuously monitor the RMICS within their business lines
- Identify and analyze entities' business risks
- Carry out internal control procedures and/or perform risk owner functions

Risk management

PJSC LUKOIL continuously improves its risk management system, enabling the Company to promptly respond to changes (both external and internal), maintain performance, and improve its efficiency in an environment of high risks and uncertainty.

To develop and improve the Group-wide risk management system across LUKOIL Group entities and in line with the Risk Management and Internal Control Policy of PJSC LUKOIL, the Resolution of the Board of Directors of PJSC LUKOIL dated April 17, 2023 approved a new version of the Regulations on Risk Management at PJSC LUKOIL. The Regulations define the roles and responsibilities in the implementation of the Risk Management business process and establish relevant procedures and interactions between process participants. The Regulations apply to all LUKOIL Group entities.

In 2023, efforts were made to:

- identify and assess new risks, establish a single risk database, and use this information to support decision making on key issues
- review and prepare materials on major and priority projects and develop recommendations and proposals to improve profitability and mitigate risks
- update and develop the Company's local regulations on risk management
- integrate climate risks and opportunities into the corporate risk management information system. Uniform approaches to, and principles for, financial assessment of climate risks were developed
- refine the Corporate Information System for automation of risk management processes.

Risk management development and improvement focus on:

- improving internal regulations and guidelines with due consideration to changes in Russian laws
- further integrating risk management processes across key areas: growth strategy development, investment planning, budgeting, and risk management at the level of operational and financial activities
- improving risk information quality through harmonization, standardization, and development of recommendations on standard risk description
- optimizing information sharing.

The Board of Directors and other governance bodies of the Company place a special focus on risk management to provide reasonable assurance of achieving objectives in the context of uncertainties and negative impacts. PJSC LUKOIL continuously identifies, describes, assesses, and monitors risks and develops measures to mitigate their adverse impact on its business. At the same time, risk management forms an essential part of the Company's business and corporate governance system and involves employees across all management levels.

The Company regularly assesses the aggregate risks of LUKOIL Group entities, with the risk profile included in annual reports reviewed by the Board of Directors. The Company identified categories of most material risks impacting the business operations of LUKOIL Group entities, which are consistently assessed in terms of quantity; acceptable levels for each material risk are determined; and measures to mitigate or prevent their adverse impact are developed. LUKOIL closely monitors the progress and effectiveness of its risk mitigation measures.

Taking into account the probabilistic and external nature of LUKOIL's risks, the Company cannot fully guarantee that risk management measures will reduce adverse impacts to an acceptable level. That said, the Company takes all possible measures to monitor and prevent such events, and should they occur, will strive to mitigate their implications as quickly as possible in order to minimize their damage.

To improve the Company's risk management system, and taking into account the Bank of Russia's Information Letter No. IN-06-28/143 On Recommendations of the Bank of Russia for Public Joint Stock Companies to Organize Risk Management, Internal Controls, Internal Auditing, and the Work of Auditing Committees under Boards of Directors (Supervisory Boards), dated October 1, 2020, on December 22, 2022, the Board of Directors decided to delegate the functions of the Committee for Investments, Coordination of Plans, and Risks in LUKOIL Group related to risk management to the Audit Committee of PJSC LUKOIL's Board of Directors and assign to it the following matters:

- considering whether the matter of revising the Company's target risk level (risk appetite) should be submitted to the Board of Directors for review
- reviewing the list and nature of significant risks
- reviewing reports on the functioning and improvement of the risk management and internal control system
- reviewing key focus areas of the risk management and internal control system development.

Internal control

To develop and improve the internal control system and in line with the Risk Management and Internal Control Policy of PJSC LUKOIL, the Resolution of the Board of Directors of PJSC LUKOIL dated December 19, 2023 approved a new version of the Regulations on Internal Control at PJSC LUKOIL. The Regulations determine the goals and objectives of the internal control system (ICS) and mandatory uniform standards of, and requirements to, organization, operation, and performance assessment of the ICS, as well as internal control units and their tasks. The Regulations apply to all LUKOIL Group entities.

In 2023, the Company implemented measures to enhance the internal control system at LUKOIL Group in accordance with the corporate standards and requirements of the Regulations on Internal Control at PJSC LUKOIL and the unified functions of units responsible for the setup and operation of internal control systems at LUKOIL Group entities. These measures are aimed at further optimizing the use of available assets and minimizing avoidable losses through improvements in the efficiency of internal controls, including decision-making process controls. They include:

- updating the unified standards of, and requirements to, organization of the internal control system, incorporated into the operations of LUKOIL Group
- promptly eliminating ICS gaps identified through continuous monitoring and annual performance assessment
- updating the internal control structure to reflect actual business processes
- compliance with the requirements of the Federal Tax Service (FTS) of Russia to ICS setup at LUKOIL Group entities that have switched to the tax monitoring regime
- running more tests of control procedures conducted as part of operating (production) activities, including via internal control automation tools.

As part of the review of regular internal control reporting in 2023, the Company monitored compliance with the standards and requirements for ICS organization and functioning at LUKOIL Group entities. In April 2023, information on the current status of the ICS and the immediate goals was submitted to the Audit Committee of the Company's Board of Directors and subsequently to the Company's Board of Directors.

In April 2023, when considering the functioning and improvement of the Company's risk management and internal control system, the Board of Directors, based on the review of the reliability and effectiveness assessment of the risk management and internal control system in place at the Company, approved the submitted results of the work done and proposals for the system development.

The Company's Internal Audit Service confirmed:

- the effective ICS operation across LUKOIL Group entities
- the alignment between the organizational structure of the Internal Control business process and the Company's business scale, goals, objectives, and development strategy.

LUKOIL Group carries out regular, systematic work to identify areas for improvement of internal controls at subsidiaries, which includes external and internal audits. We conduct mandatory assessment of potential positive impact of improvements on the achievement of LUKOIL Group's goals to subsequently update regulations and the design of control procedure and assess the possibility of rolling these measures out across similar management units in LUKOIL Group for the purposes of prevention, all while monitoring the implementation of these measures.

To make ICS enhancement activities more effective, the Company has updated the Corporate Distance Learning System with a special training course for employees of LUKOIL Group entities responsible for internal controls.

To improve LUKOIL Group's corporate governance system through digitization of the Internal Control business process and providing all ICS-related units with quality updates and effective communications in internal control, in 2023, the Company continued testing and implementing specialist IT solutions:

- process and operation control
- control of conflicts and excessive authority in information systems, implementing a unified approach to developing and naming business roles.

Participation of LUKOIL Group entities in the tax monitoring regime

To be able to switch to the tax monitoring regime, the taxpayer must have in place an effective ICS complying with the requirements of the FTS of Russia for organizing and functioning of all ICS components. Since 2017, the Company has successfully prepared and completed the transition to tax monitoring for PJSC LUKOIL and 17 largest LUKOIL Group entities. With PJSC EL5-Energo, a new entity participating in tax monitoring, joining LUKOIL Group and one of the Company's subsidiaries participating in tax monitoring being reorganized, the total number of LUKOIL Group entities participating in tax monitoring remained unchanged in the reporting year.

Internal controls in preparing financial statements

The Company pays close attention to ensuring reliability of financial information. To this end, LUKOIL applies the following key procedures and methods.

- ***Distribution of roles and responsibilities.*** LUKOIL Group has clear distribution of responsibilities at each stage of preparing its financial statements (both at the standalone subsidiary and consolidated levels). Russian entities prepare their RAS statements independently or through the Company's accounting center; IFRS statements of Russian entities are prepared by the Accounting Service of PJSC LUKOIL. IFRS statements of the Company's foreign subsidiaries are prepared either independently or at the Company's foreign accounting centers. Local financial statements are the responsibility of entities' top managers and chief accountants or heads of accounting centers. The Company's CEO and Chief Accountant are responsible for preparing its consolidated financial statements.

• ***The Group's unified accounting policy.*** For the purposes of preparing the consolidated financial statements under IFRS, the Company has in place the unified IFRS accounting policy approved by the CEO of PJSC LUKOIL, which is reviewed at least once a year. It is binding on all LUKOIL Group entities that prepare their IFRS statements.
An executive order of PJSC LUKOIL approves, on an annual basis, the corporate RAS accounting policy and requirements to the accounting policies of the Company's Russian subsidiaries.
Centralized development and approval of RAS and IFRS accounting policies ensure application of uniform principles of accounting and reporting for similar transactions and the comparability of results between LUKOIL Group entities.

• ***Centralized decision making.*** The Group makes centralized decisions on the following accounting and reporting matters:

- organizing the activities of subsidiary accounting services (independently or through a dedicated subsidiary)
- selecting the audit firm (for the Company's material subsidiaries)
- deadlines for preparation of Group entities' accounting (financial) statements, end dates of their audit
- RAS and IFRS accounting policies
- appointment of subsidiaries' chief accountants
- accounting process automation.

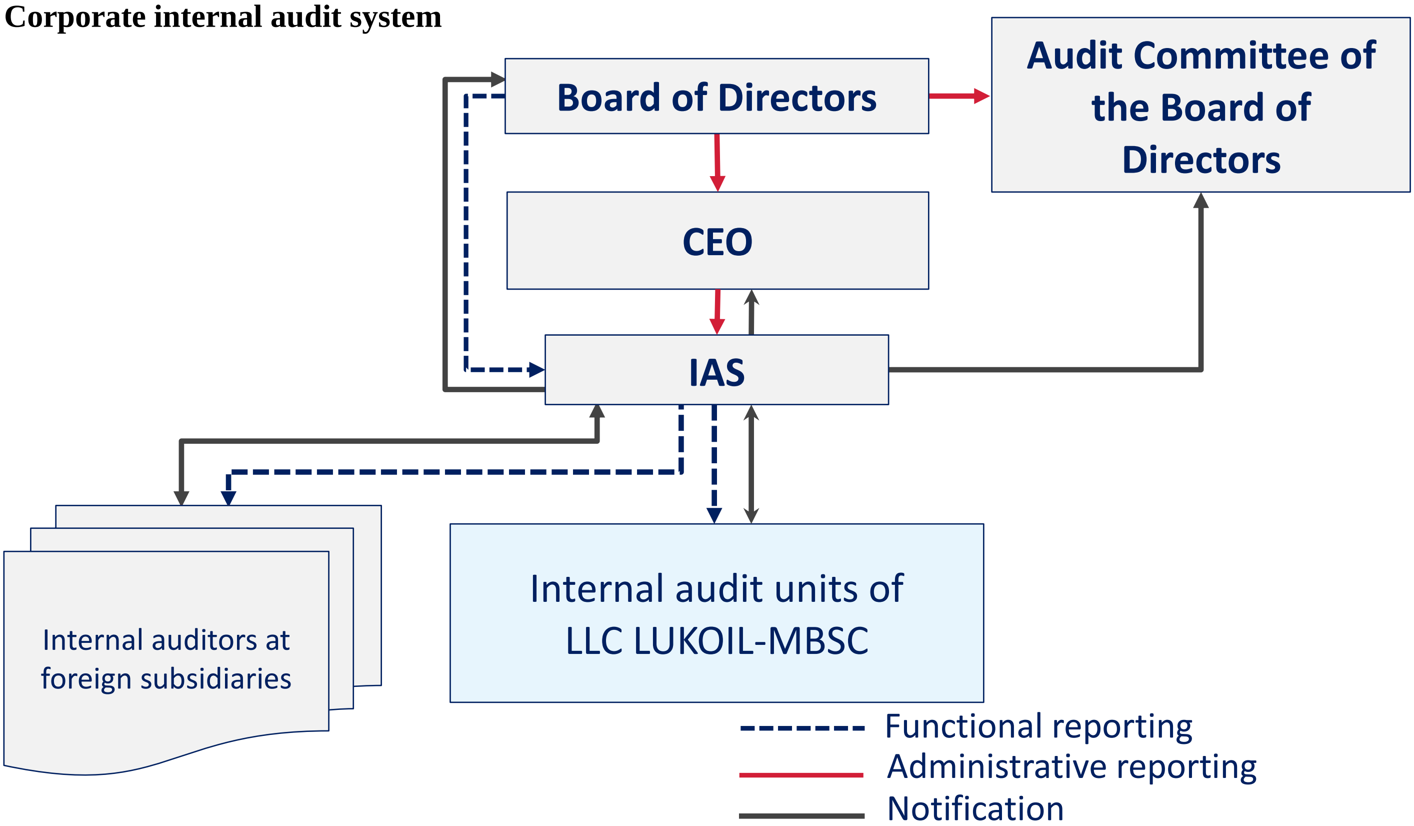
• ***Business unit interaction.*** IFRS consolidated financial statements are prepared in close collaboration between the Accounting Service of PJSC LUKOIL and various business units both within the Company and Group entities. During the process, stakeholders regularly exchange and additionally verify relevant information.

• ***Employee training.*** All employees of the Company's Accounting Service engaged in the preparation of IFRS consolidated financial statements have a degree in accounting or finance and regularly enhance their qualifications. Many of them are certified accountants (according to Russian and international standards) and are members of Russian and international professional accountants' associations. Some employees have academic degrees in accounting and finance.

Internal Audit

The purpose of internal audit at LUKOIL Group entities is to assist by way of audits and consulting engagements in achieving strategic goals and objectives through applying a holistic consistent approach to assessment and improvement of the risk management and internal control system, and corporate governance.

Corporate internal audit system



Within LUKOIL Group, internal audit is performed by:

- the Internal Audit Service of PJSC LUKOIL (IAS) headed by Vice President – Head of the Internal Audit Service (the "Head of IAS")
- internal audit units of the Multifunctional Business Support Center (LLC LUKOIL-MBSC, a 100-percent subsidiary of the Company)
- internal auditors at foreign subsidiaries (units or employees that, in accordance with applicable laws, perform internal audit functions at three foreign entities of LUKOIL Group).

The IAS is responsible for internal audits and audit consulting at PJSC LUKOIL and for organizing and participating in the auditing and consulting of other LUKOIL Group entities, as well as for internal audit planning, methodological support, and development across LUKOIL Group. The IAS also supervises and coordinates internal auditors at foreign subsidiaries and internal audit units of LLC LUKOIL-MBSC.

The Head of IAS directly manages IAS activities; internal audit units of LLC LUKOIL-MBSC and internal auditors at foreign subsidiaries functionally report to the Head of IAS. The Head of IAS reports to the Board of Directors of PJSC LUKOIL (functional reporting) and the Company's CEO (administrative reporting). The terms of the agreement with the Head of IAS are approved by the Board of Directors.

The Annual Audit and Consulting Engagements Plan of the Internal Audit Service of PJSC LUKOIL is approved by the Board of Directors, taking into account material risks related to the activities of LUKOIL Group entities.

In the reporting year, LUKOIL Group entities' internal audit units conducted 37 audits, including 28 carried out by the internal audit units of LUKOIL Group's Russian entities and 9 by internal auditors at foreign subsidiaries.

Audits and consulting engagements are conducted in line with the requirements/recommendations of applicable laws and regulators, the International Professional Practices Framework, and internal documents of PJSC LUKOIL governing the Internal Audit business process.

Methodological support

The Company implements a five-year Program to Improve the Quality of Internal Audit at PJSC LUKOIL, which covers all aspects of internal audit, including methodological support.

In 2023, LUKOIL Group continued enhancing methodology supporting its internal audit processes in line with best practice, including drafting the following documents:

- key principles of the Internal Control business process
- a new version of the Regulations on Internal Audit at PJSC LUKOIL, which takes into account changes in the Company's governance system (approved by the Resolution of the Board of Directors dated December 19, 2023)
- a new version of PJSC LUKOIL's Policy on Interactions with Subsidiaries When Managing the Internal Control Business Process (approved by the Executive Order of PJSC LUKOIL dated January 17, 2024)

New audit procedures were developed, and efforts to update existing procedures were continued.

As part of providing consulting and methodological support to internal auditors, methodological recommendations / clarifications on certain aspects of internal audit organization were prepared and sent to internal audit units for use in their operations.

Post-audit and post-consultation monitoring

Internal audit units monitor progress against plans to prevent or eliminate deviations and gaps identified in the course of audits and consulting engagements at LUKOIL Group entities.

As at December 31, 2023, the IAS and internal audit units of LLC LUKOIL-MBSC had on their radar 152 documents containing 2,677 actions/initiatives, of which 2,290 initiatives, or 85.5 percent, were completed as at the end of the reporting period.

It is an indication of a sufficient level of operational discipline across LUKOIL Group entities and the Company's business units' compliance with the internal audit guidelines.

LUKOIL Group's digital development programs in internal auditing

Since 2019, the IAS has been implementing the Internal Audit Information and Analytical System project to provide information and technical support in automated identification of non-typical transactions in LUKOIL Group's production and accounting information systems for further audit analysis.

The project aims to enable larger audit samples and wider audit coverage, reduce time spent to process significant amounts of data, improve audit quality, raise confidence in its outcomes, and develop new areas.

Throughout 2023, the work continued on automation for accounting, tax, and financial audit procedures as well as refining and distribution audit procedures.

Automation of eight procedures has been completed, and the results have been put into commercial operation. Automated procedures were tested during audits conducted in 2023. A pilot implementation of an RPA robot to interact with the website of the Federal Customs Service of the Russian Federation was also tested.

Methodological work is currently underway to automate procedures in other areas.

Assessment of internal audit effectiveness by the Audit Committee of the Board of Directors and by the Board of Directors

The Head of IAS annually submits a report on performance of the Annual Audit and Consulting Engagements Plan of the Internal Audit Service of PJSC LUKOIL and on internal audits to the Audit Committee of the Board of Directors.

In 2023, upon reviewing the 2022 report, the Audit Committee recommended that the Company's Board of Directors, among other things:

- approve the work of the Internal Audit Service of PJSC LUKOIL in 2022 involving assessment of the effectiveness of the risk management and internal control system, as well as of corporate governance at LUKOIL Group
- recognize internal auditing at LUKOIL Group as congruent with the Internal Audit Mission Statement, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, and Definition of Internal Auditing as adopted by the Institute of Internal Auditors
- take note of the fact that internal auditing at LUKOIL Group is performed in accordance with the International Standards for the Professional Practice of Internal Auditing as adopted by the Institute of Internal Auditors.

The respective resolution was passed by the Board of Directors in April 2023.

External Audit

The selection of the audit firm is based on proposals made by the Audit Committee of the Board of Directors and appoints the audit firm at the General Shareholders Meeting on an annual basis, in line with Russian laws.

The audit firm's independence is determined based on Federal Law No. 307-FZ *On Auditing* dated December 30, 2008, Independence Rules for Auditors and Audit Firms, Code of Professional Ethics of Auditors, and International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants.

In May 2023, the Annual General Shareholders Meeting approved JSC Kept as the audit firm of PJSC LUKOIL.

To maintain independence and comply with audit standards, the Company's audit firm regularly, at least once in seven years, changes its head of audit and did so in 2020.

The fee payable to JSC Kept for auditing the Company's IFRS consolidated financial statements for 2023 was RUB 276,778 thousand (excluding VAT) and for auditing the Company's RAS accounting (financial) statements for 2023 – RUB 10,286 thousand (excluding VAT).

The share of remuneration paid by the Company for the services unrelated to audits in the total fee payable to the audit firm is less than 40 percent.

Insider information control

As an issuer whose securities are traded on the Moscow Exchange, PJSC LUKOIL is obliged to comply with the requirements of Federal Law No. 224-FZ *On Countering the Misuse of Insider Information and Market Manipulation and Amendments to Certain Legislative Acts of the Russian Federation*, dated July 27, 2010, and related regulations.

Due to the termination of listing and trading of the Company's securities on the London Stock Exchange in May 2022, the regulations governing the circulation of insider information were updated in 2023.

In particular, the following regulations were invalidated:

- The Insider Information Regulations of Public Joint Stock Company "Oil Company 'LUKOIL'" approved by the Board of Directors
- Regulations on Activities of LUKOIL Group Entities Related to Transactions with OJSC LUKOIL Securities Performed by Persons Having Access to Insider Information.

The following regulations were updated:

- The Internal Control Rules of PJSC LUKOIL to prevent, identify, and counter the misuse of insider information and market manipulation, which summarize and replace the Company's internal documents of different levels.
- List of Insider Information of PJSC LUKOIL.

The following document was drafted:

- List of Persons Responsible for Providing Information Subject to Disclosure by PJSC LUKOIL (approved by the Executive Order of PJSC LUKOIL dated January 24, 2024)

The most significant change was the elimination of guidelines that provide for foreign disclosure of information about transactions of members of governance bodies involving the Company's financial instruments and establish close periods related to the preparation of consolidated financial statements. Instead, ad hoc close periods timed with certain corporate events can be implemented for all or some insiders by decision of a responsible officer. The updated internal documents retain the guidelines regulating the core activities and compliance procedures continuously implemented by the Company.

Annual monitoring of the activities of the Company's business units, officers, and employees in 2023 identified no violations of the laws on countering the misuse of insider information and market manipulation.

Information security

Information security is an integral part of LUKOIL Group's Functional Development Program for IT. The Company focuses its information security role on protecting the Company information, ensuring the accuracy, completeness, and reliability of external data and safeguarding the data provided by government authorities, personal data owners, and customer and partner data.

Information security services are rendered to LUKOIL Group entities by an internal IT service provider, LLC LUKOIL-Technologii (a wholly-owned subsidiary of PJSC LUKOIL), certified for compliance with ISO/IEC 27001.

Information security relies on:

- regulations on exercising information security processes such as managing access to information resources, processing information security incidents, managing mobile and portable devices, arranging for information security trainings, and managing keys for data encryption tools
- regulations to enable employees to safely start and set up online meetings (video conferences)
- requirements for setting up software and technical data processing tools to ensure their information security
- instructions and guidelines for administrators and operators of information security tools

- instructions and guidelines for users to ensure information security when using computers and office equipment, including when working remotely
- technical regulations, regulations on providing information security services, and service level agreements.

The Company conducts regular automated checks to assess employees' ability to safely handle IT equipment and information resources.

The Company employees have a personal responsibility for taking security measures and are educated about information security on a regular basis.

All new hires undergo basic information security training as part of the orientation process. Follow-on training is arranged when courses are updated.

A 2023 meeting of the IT Coordination Council, chaired by the CEO of the Company, discussed new projects aimed at improving cybersecurity. The Coordination Council includes Company executives and meets at least once a year.

Thanks to LUKOIL's systematic approach to early detection of, and prompt response to, emerging information security threats, there have never been any information security incidents resulting in material financial or reputational losses for the Company.

Subsidiary Management System

As the corporate center of LUKOIL Group, PJSC LUKOIL coordinates the operations of Group subsidiaries.

Key matters related to operations of subsidiaries are reserved to the sole executive body of PJSC LUKOIL, the CEO. Matters related to operations of subsidiaries may also be reviewed by the Board of Directors and the General Shareholders Meeting when discussing certain matters within their scope of authority.

If subsidiaries or other entities in which the Company holds an interest adopt their resolutions through general shareholders (members) meetings, the CEO (or his/her authorized representative) shall represent the Company at such general shareholders (members) meetings and vote on relevant agenda items. This means that decisions made by the Company's governance bodies in respect of subsidiaries are subsequently implemented in resolutions adopted by the governance bodies of such subsidiaries.

Strategic subsidiary management

The Board of Directors determines the priorities in the Group's overall development.

In accordance with the Charter, the scope of authority of the Company's CEO covers the development and implementation of the overall growth strategy of the Company's subsidiaries,[30] in particular:

- organizing the implementation of a uniform operational, technical, financial, pricing, marketing, social, and HR policy
- preliminary approval of decisions of the Company's subsidiaries regarding stakes in other entities, as well as decisions on obtaining and terminating subsoil licenses under certain conditions

[30] Prior to the amendments to the Charter of PJSC LUKOIL approved by the Extraordinary General Shareholders Meeting on December 5, 2022, these matters were reserved to the Company's collective executive body, the Management Committee.

- coordinating the operations of the Company's subsidiaries.

In 2023, 35 resolutions were passed on the operations of the Company's subsidiaries and 25 – on employment matters related to heads of the Company's subsidiaries.

Approval of subsidiaries' material transactions[31]

For the purpose of enhancing control over material transactions made by its subsidiaries, the Company employs the Procedure for Approving Material Transactions Performed by Subsidiaries of OJSC LUKOIL (the "Procedure"). Such transactions are made by subsidiaries only after their consideration and approval by the CEO of the Company in accordance with the Procedure. The Procedure does not apply to intra-group transactions.

At the same time, material transactions made as part of investment projects affirmed by the CEO of PJSC LUKOIL are approved according to the procedure established by the Company's local regulations governing the Group's investment activities.

Improvement of the Group's structure

The Company consistently works to improve the structure of LUKOIL Group in order to ensure optimal conditions for achieving strategic goals.

For this purpose, the Company has in place the LUKOIL Group Restructuring Commission chaired by the CEO of the Company. Resolutions related to PJSC LUKOIL's participation in other entities (Subclause 10.3.24 of PJSC LUKOIL's Charter) and preliminary approval of resolutions of the Company's subsidiaries related to their participation in other entities (Subclause 10.3.19 of PJSC LUKOIL's Charter) are the responsibility of the Company's CEO (the Chairman of the Commission) as per the Procedure for Decision Making on Participation in Other Entities approved by the Executive Order of PJSC LUKOIL dated February 27, 2023.

In 2023, the Commission passed 32 resolutions related to the participation of LUKOIL Group entities in other entities.

The Commission keeps the CEO of the Company informed about the progress and results of restructuring on an annual basis.

[31] Material transactions of subsidiaries include transactions of the Company's subsidiaries (excluding transactions to which PJSC LUKOIL and/or its subsidiary was the counterparty), where they acquire, or (may) dispose of, directly or indirectly, fixed assets and/or intangible assets with a (book) value exceeding USD 20 million, or 10 percent of the book value of the subsidiary's assets (if the said value is below USD 20 million); provide loans, credit facilities, guarantees, sureties, and special-purpose financing for amounts exceeding USD 20 million; or receive loans and credit facilities for over USD 20 million, except for short-term (less than one year) loans and credit facilities obtained in the ordinary course of business on an arm's length basis.

Terms, acronyms, and abbreviations

References to "PJSC LUKOIL", "LUKOIL Group", "the Group", "LUKOIL", "the Company", "we", and "our" throughout this document are all equivalent for the purposes of this Report and refer to LUKOIL Group, PJSC LUKOIL, and/or its subsidiaries, depending upon the context in which the terms are used.

2D – two-dimensional
3D – three-dimensional
AC – Audit Committee
AGM – Annual General Shareholders Meeting
APG – associated petroleum gas
boe – barrel of oil equivalent
BU – business unit
CDP – Carbon Disclosure Project
CEO – chief executive officer
CHPP – combined heat and power plant
CO_2 – carbon dioxide
COP28 – the 28th Conference of the Parties to the UN Framework Convention on Climate Change
COSO – Committee of Sponsoring Organizations of the Treadway Commission
CSA – capacity supply agreement
EBITDA – earnings before interest, taxation, depreciation, and amortization
EGM – Extraordinary General Shareholders Meeting
ESG – environmental, social, and governance
FID – final investment decision
FPS – Faster Payments System
FTS – Federal Tax Service
Gcal – gigacalorie
GHG – greenhouse gases
GOST – government standard
GPP – gas processing plant
GRI – Global Reporting Initiative
GW – gigawatt
HPP – hydroelectric power plant
HR – human resources
HR EDMS – HR Electronic Document Management System
HRCC – Human Resources and Compensation Committee
HSE – health, safety, and environment
IAS – Internal Audit Service
ICS – internal control system
IEC – International Electrotechnical Commission
IFRS – International Financial Reporting Standards
ILO – International Labour Organization
ISO – International Organization for Standardization
IT – information technology
JSC – joint stock company
km – kilometer
KPI – key performance indicator
kW – kilowatt
kWh – kilowatt-hour

LLC – limited liability company
LTAFR – Lost Time Accident Frequency Rate
LTIFR – Lost Time Injury Frequency Rate
MET – mineral extraction tax
MOEX – Moscow Exchange
MW – megawatt
NGL – natural gas liquid
OECD – Organization for Economic Co-operation and Development
OEM – original equipment manufacturer
OGDC – Oil & Gas Decarbonization Charter
OJSC – open joint stock company
OPEC – Organization of Petroleum Exporting Countries
p.p. – percentage points
PJSC – public joint stock company
POS – point of sale
QR code – quick-response code
R&D – research and development
RAS – Russian Accounting Standards
RES CSA – renewable capacity sources capacity supply agreement
RMICS – risk management and internal control system
RPA – robotic process automation
RSPP – Russian Union of Industrialists and Entrepreneurs
RUB – Russian ruble
SDG – Sustainable Development Goal
SEC – Securities and Exchange Commission
SISCAC – Strategy, Investment, Sustainability, and Climate Adaptation Committee
SMART – Specific, Measurable, Achievable, Relevant, Time-bound
SMP – Standard Management Practices
SPP – solar power plant
STO – standard of an organization
TAI – tax on additional income
TCFD – Task Force on Climate-Related Financial Disclosures
UAE – United Arab Emirates
UN – United Nations
USA – United States of America
USD – US dollar
VAT – value added tax
VDA – German Association of the Automotive Industry
WPP – wind power plant

About the Report

PJSC LUKOIL Annual Report (the “Report”) presents key information on LUKOIL Group’s overall performance in 2023 by business line, as well as corporate governance and corporate responsibility.

Feedback

You are welcome to send any comments and/or suggestions as regards the Group’s reports to email address ir@lukoil.com. Feedback from shareholders and other stakeholders helps us improve information transparency and enhance the reporting quality.

Forward-looking statements

- Some of the statements made in this Report are not statements of fact but rather represent forward-looking statements. These statements include, specifically:
  - plans and forecasts relating to income, profits (losses), earnings (losses) per share, dividends, capital structure, and other financial indicators and ratios
  - the plans, goals, and objectives of PJSC LUKOIL, including those related to products and services
  - future economic indicators
  - the assumptions on which the statements are based.
- Words such as “believes”, “expects”, “assumes”, “plans”, “intends”, “anticipates”, and others are used in those cases when we are talking about forward-looking statements. However, the proposed options for solving the problems included in the statements are neither singular nor exclusive.
- Forward-looking statements inherently imply certain unavoidable risks and ambiguous issues, both general and specific. There is a risk that the plans, expectations, forecasts, and some of the forward-looking statements will not be realized. Due to a number of different factors, the actual results may differ materially from the plans, goals, expectations, assessments, and intentions expressed in such statements.

Conversion factors

Percentage changes in operating results presented in million tonnes are based on respective figures in thousand tonnes.

The average RUB/USD exchange rate for 2023 (RUB 85.25 per USD) is used for converting figures in rubles into US dollars, unless otherwise indicated.

1 barrel of oil equivalent = 6 thousand cubic feet of gas.

Other information

The segment split used in the Report is in line with the information in the Group’s IFRS consolidated financial statements.

Production metrics for joint projects in Russia, as well as for international projects, are included in total production of LUKOIL Group in proportion to the Company’s share.

In calculations of total amounts, the Annual Report may contain discrepancies as a result of rounding.

Reference Information

About the Company

Public Joint Stock Company “Oil Company ‘LUKOIL’” (the “Company”) was established in accordance with Decree No. 1403 of the President of the Russian Federation On Specific Features of the Privatization and Transformation into Joint Stock Companies of State Enterprises and Industrial and Research Industrial Associations in the Oil and Oil Refining Industries and Oil Product Supply, dated November 17, 1992, and Directive No. 299 of the Council of Ministers – Government of the Russian Federation On the Establishment of Open Joint Stock Company “Oil company ‘LUKoil’”, dated April 5, 1993, for the purpose of industrial, economic, financial, and investment activity.

PJSC LUKOIL is the corporate center of LUKOIL Group (the “Group”) which coordinates the operations of the Group entities. It focuses on coordination and management of subsidiaries in terms of organizational set-up, investments, and financial operations.

Legal address and head office

Postal address: 11 Sretensky Blvd., Moscow, 101000, Russia

Website: www.lukoil.ru (Russian), www.lukoil.com (English)

Central Information Service

Tel.: +7 495 627 4444, +7 495 628 9841

Fax: +7 495 625 7016

Shareholder Relations

Tel.: +7 800 200 9402 (Russia toll-free)

Email: shareholder@lukoil.com

Shareholder’s Personal Account

https://evoting.reggarant.ru/voting/pa

https://play.google.com/store/apps/details?id=ru.reggarant.evoting

Name: Shareholder’s Personal Account

Investor Relations
Tel.: +7 495 627 1696
Email: ir@lukoil.com

Press Service
Email: media@lukoil.com

Filling Stations Hotline
Tel.: +7 800 100 0911
Email: hotline@lukoil.com

Business Ethics Commission
Tel.: +7 495 627 8259
Email: ethics@lukoil.com

Registrar
LLC Registrator "Garant"
Postal address: 8 Krasnopresnenskaya Embankment, floor 2, office 228, Moscow, 123100, Russia
Tel.: +7 495 221 3112, +7 800 500 2947
Fax: +7 495 646 9236
Email: mail@reggarant.ru

Audit firm
JSC Kept (Joint Stock Company Kept)
Postal address: 16 Olimpiyskiy Ave., Bld. 5, floor 3, premises 1, office 24e, Moscow, 129110, Russia
Tel.: +7 495 937 4477
Fax: +7 495 937 4499
Email: moscow@kept.ru

Self-regulatory organization of auditors
Association Sodruzhestvo
Postal address: 21 Michurinskiy Ave., Bld. 4, Moscow, 119192, Russia
Tel.: +7 495 734 2222
Fax: +7 495 734 0422

Business proposals
Postal address: 11 Sretensky Blvd., Moscow, 101000, Russia
Fax: +7 495 625 7016, +7 495 627 4999

Business proposals are to be made in writing on the official letterhead and sent by mail or fax. Business proposals submitted by email will not be considered.

APPENDICES
TO PJSC LUKOIL ANNUAL REPORT
FOR 2023

Appendix 1.
Corporate Governance Code Compliance Report (as of December 31, 2023)

This Report on Compliance with the Corporate Governance Code (the “Code”), recommended by the Bank of Russia as a guidance for all publicly traded joint stock companies, is included in the Annual Report in line with Chapter 57 of the Bank of Russia’s Regulations No. 714-P On Information Disclosure by Issuers of Issue-Grade Securities, dated March 27, 2020.Incorporated in Russia, PJSC LUKOIL is guided in its business by the corporate governance principles recommended for implementation by Russian securities market regulators.

The Code is the key document regulating national corporate governance standards and is available on the Bank of Russia’s website at http://www.cbr.ru/publ/Vestnik/ves140418040.pdf.

This Report was considered by the Board of Directors of PJSC LUKOIL at a meeting on March 22, 2024 (Minutes No. 4) as part of the Annual Report of PJSC LUKOIL for 2023.

The Board of Directors certifies that the data in this report contain full and reliable information on compliance by the Company with the principles and recommendations of the Corporate Governance Code for 2023.

An overview of the core aspects of the corporate governance model and practice adopted by PJSC LUKOIL is presented in the Corporate Governance section of the Annual Report of PJSC LUKOIL for 2023.

As a methodology for PJSC LUKOIL to assess compliance with corporate governance principles set forth by the Code, the Company used a report format recommended by the Bank of Russia in its Letter No. IN-06-28/102 dated December 27, 2021 On Disclosure of Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint Stock Company and recommendations set forth therein.

No.	Corporate guidance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1	2	3	4	5
1.1	The company shall ensure fair and equitable treatment of all shareholders in exercising their rights to participate in the governance of the company.			
1.1.1	The company shall ensure the most favorable conditions for its shareholders to participate in the general meeting, develop an informed position on items on the agenda of the general meeting, coordinate their actions, and voice their opinions on items reviewed.	1. The company provides accessible means of communication with the company, such as a hotline, e-mail, or online forum, to enable shareholders to express their opinion and send questions on the agenda in preparation for the general meeting. The above means of communication were prepared and provided by the company in advance of each general meeting held in the reporting period.	√ Full ☐ Partial ☐ None	
1.1.2	The procedure for giving notice of, and providing relevant materials for, the general meeting shall enable shareholders to properly prepare for attending the general meeting.	1. In the reporting period, the notice of an upcoming general shareholders meeting was posted (published) on the corporate website at least 30 days prior to the date of the general meeting, unless required to do so earlier by applicable law. 2. The notice of a meeting indicates the documents required for admission. 3. Shareholders were given access to the information on who proposed the agenda items and nominees to the company's board of directors and the audit commission (in cases when the company's charter provides for the establishment of the same).	√ Full ☐ Partial ☐ None	*Note.* *Criterion 2 may not be applicable, since the Annual General Shareholders Meeting was held in 2023 in the form of absentee voting pursuant to the resolution made by the Board of Directors of PJSC LUKOIL on April 20, 2023 in accordance with Article 3 of Federal Law No. 25-FZ dated February 25, 2022. At the same time, criterion 2 is complied with by the Company when holding General Shareholders Meetings in person.*
1.1.3	In preparation for the general meeting and during the general meeting, shareholders shall be enabled to receive information about, and all materials related to, the meeting, put questions to executive bodies and members of the board of directors, as well as communicate with each other, in an unobstructed and timely manner.	1. In the reporting period, shareholders were given an opportunity to put questions to members of executive bodies and members of the board of directors in advance of and during the general meeting. 2. The position of the board of directors (including dissenting opinions (if any) entered in the minutes) on each item on the agenda of general meetings held in the reporting period was included in the materials for the general meeting. 3. The company gave duly authorized shareholders access to the list of persons entitled to participate in the general meeting, as from the date when such list was received by	√ Full ☐ Partial ☐ None	*Note.* *Criterion 1 may not be applicable, since the Annual General Shareholders Meeting was held in 2023 in the form of absentee voting pursuant to the resolution made by the Board of Directors of PJSC LUKOIL on April 20, 2023 in accordance with Article 3 of Federal Law No. 25-FZ dated February 25, 2022. At the same time, criterion 1 is complied with by the Company when holding General Shareholders Meetings in person.*

		the company, in all instances of general meetings held in the reporting period.		
1.1.4	Shareholders shall not encounter unjustified difficulties in exercising their right to request that a general meeting be convened, to nominate candidates to governance bodies, and to make proposals for the agenda of the general meeting.	1. The company's charter states that shareholders are to make proposals for the agenda of the annual general meeting for at least 60 days after the end of the respective calendar year. 2. In the reporting period, the company did not reject proposals for the agenda or candidates to governance bodies due to misprints or other insignificant flaws in the shareholder's proposal.	√ Full Partial None	
1.1.5	Each shareholder shall be enabled to freely exercise his/her voting right in the simplest and most convenient way.	1. The company's charter contains provisions stipulating that an electronic ballot can be filled out on the website stipulated in the notice of the general shareholders meeting.	√ Full Partial None	
1.1.6	The general meeting procedure established by the company shall equally enable all persons attending the meeting to voice their opinion and ask questions.	1. During general shareholders meetings held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on, and discussion of, the agenda items, and shareholders were given the opportunity to voice their opinion and ask questions on agenda items. 2. Nominees to the company's governance and control bodies were invited and all due measures were taken to make sure they participate in the general shareholders meeting at which their nominations were put to vote. Nominees to the company's governance and control bodies present at the general shareholders meeting were available to answer shareholders' questions. 3. The sole executive body, the officer responsible for accounting, the chairman, or other members of the board of directors' audit committee were available to answer shareholders' questions at general shareholders meetings held during the reporting period.	√ Full Partial None	<u>*Note.*</u> *Criteria 1–4 may not be applicable, since the Annual General Shareholders Meeting was held in 2023 in the form of absentee voting pursuant to the resolution made by the Board of Directors of PJSC LUKOIL on April 20, 2023 in accordance with Article 3 of Federal Law No. 25-FZ dated February 25, 2022.*

		4. During the reporting period, the company used telecommunication means to provide shareholders with remote access to general meetings, or the board of directors made a well-grounded decision that no such means were needed (could be used) in the reporting period.		
1.2	Shareholders have equal and fair rights to share profits of the company by receiving dividends.			
1.2.1	The company has developed and introduced a transparent and clear mechanism for determining the dividend amount and paying dividends.	1. The company's dividend policy has been approved by the board of directors and disclosed on the corporate website. 2. If the dividend policy of the company that prepares consolidated financial statements uses figures of the statements to determine the dividend amount, then the respective provisions of the dividend policy shall take into account the consolidated financial statements. 3. Substantiation of the proposed distribution of net profit, including for dividend payout and the company's internal needs, and its assessment for compliance with the company's dividend policy, along with explanations and economic substantiation of such distribution for internal needs in the reporting period, were included in the materials for the general shareholders meeting the agenda of which included an item on profit distribution (including payout (announcement) of dividends).	√ Full ☐ Partial ☐ None	
1.2.2	The company shall not resolve to pay out dividends if such resolution, while formally remaining in line with statutory restrictions, is not economically feasible and may lead to a false representation of the company's performance.	1. The company's dividend policy, in addition to statutory restrictions, defines financial/economic circumstances under which the company shall not pay out dividends.	☐ Full √ Partial ☐ None	Criterion 1 is partially not complied with. The Regulations on the Dividend Policy of PJSC LUKOIL do not explicitly specify financial/economic circumstances under which the Company shall not pay out dividends. At the same time, the above Regulations, in accordance with Recommendation 31 of the Code, specify financial and economic conditions of dividend payout, and if such conditions are not met, the Company shall not resolve to pay out dividends. These conditions are implicit indications of the financial/economic circumstances under which the Company shall not pay out dividends.

1.2.3	The company shall not allow the dividend rights of its existing shareholders to be impaired.	1. In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	√ Full ☐ Partial ☐ None	
1.2.4	The company shall strive to exclude any ways for its shareholders to receive profit (income) from the company other than dividends and liquidation value.	1. During the reporting period, other ways for persons controlling the company to receive profit (income) from the company other than dividends (e.g., using transfer pricing, unjustified provision of services to the company at inflated prices, loans to controlling persons and/or their controlled persons to replace dividends) were not used.	√ Full ☐ Partial ☐ None	
1.3	Corporate governance system and practices ensure equal opportunities for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company.			
1.3.1	The company has created conditions for fair treatment of each shareholder by the governance bodies and the company's controlling entities, including conditions ruling out abuse of minority shareholders by major shareholders.	1. In the reporting period, persons controlling the company did not abuse the rights of the company's shareholders, there were no conflicts between persons controlling the company and the company's shareholders, and whenever there were any, the board of directors paid due attention to them.	√ Full ☐ Partial ☐ None	
1.3.2	The company shall not perform actions which lead or may lead to artificial redistribution of corporate control.	1. Quasi-treasury shares do not exist or did not participate in voting in the reporting period.	☐ Full ☐ Partial √ None	Criterion 1 is not complied with. In the reporting year, the entities controlled by the Company held shares in PJSC LUKOIL (quasi-treasury shares) and participated in voting, since in the current geopolitical situation refusal to participate in the voting using quasi-treasury shares carries a risk for reaching a quorum at General Shareholders Meetings and consequently causes the

				need to re-convene the General Meeting, which would lead to additional expenses for the Company. In the future, if the above risks reduce, the Company plans to abandon voting using quasi-treasury shares at General Shareholders Meetings.
1.4	Shareholders are provided with reliable and effective methods for recording their rights in shares, as well as are enabled to freely dispose of their shares without any hindrance.			
1.4	Shareholders are provided with reliable and effective methods for recording their rights in shares, as well as are enabled to freely dispose of their shares without any hindrance.	1. The processes and terms of provision of the services by the company's registrar meet the requirements of the company and its shareholders and ensure the recording of their rights to shares and exercise of the shareholders' rights in the most effective way.	√ Full Partial None	
2.1	The board of directors shall carry out the strategic management of the company, establish the basic principles of, and approaches to, setting up a risk management and internal control system in the company, control activities of the company's executive bodies, and perform other key functions.			
2.1.1	The board of directors shall be responsible for passing resolutions related to appointment and removal of executive bodies, including due to their inadequate performance. The board of directors shall also ensure that the company's executive bodies act in accordance with the approved growth strategy and along the company's core lines of business.	1. The board of directors has the authority stipulated in the charter to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts. 2. In the reporting period, the nomination (appointments, HR) committee reviewed the matter of alignment between professional qualifications, competencies, and experience of members of executive bodies and current and expected needs of the company in line with its approved strategy. 3. In the reporting period, the board of directors reviewed the report(s) by the sole executive body or members of the collective executive body (if any) on the implementation of the company's strategy.	Full √ Partial None	Criterion 1 is complied with. Criterion 2 is not complied with. The Company's Charter does not provide for a collective executive body (on December 5, 2022, the Extraordinary General Shareholders Meeting of PJSC LUKOIL approved amendments to the Charter of PJSC LUKOIL that included abolishing the collective executive body (the Management Committee)). In the reporting period, the HR and Compensation Committee of the Company's Board of Directors did not review the matter of alignment between professional qualifications, competencies, and experience of the sole executive body of the Company and current and expected needs of the Company in line with its approved strategy due to the fact that the sole executive body, the Company's CEO, was appointed by the Board of Directors on December 14, 2022, and assessment of his

				professional qualifications in 2023 was not deemed reasonable. The assessment of the professional qualifications of the Company's sole executive body is planned to be carried out in 2024. Criterion 3 is complied with.
2.1.2	The board of directors shall define the main long-term targets of the company's operations, assess and approve its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	1. In the reporting period, the board of directors reviewed at its meetings matters related to the progress in the implementation of the strategy and its updates, approval of the company's financial and business plan (budget), and consideration of the implementation criteria and performance (including interim criteria and performance) of the company's strategy and business plans.	√ Full Partial None	
2.1.3	The board of directors shall determine the principles of, and approaches to, organizing a risk management and internal control system in the company.	1. The principles of, and approaches to, organizing a risk management and internal control system in the company are defined by the board of directors and set forth in the company's internal documents that define its risk management and internal control policy. 2. In the reporting period, the board of directors approved (revised) the acceptable risk exposure (risk appetite) of the company, or the audit committee and/or risk committee (if any) reviewed whether the matter of revising the company's risk appetite should be submitted to the board of directors for review.	Full √ Partial None	Criterion 1 is complied with. Criterion 2 is partially not complied with. According to the Risk Management and Internal Control Policy of PJSC LUKOIL, the risk level (risk appetite) is approved by the Board of Directors of PJSC LUKOIL when adopting the Strategic Development Program of LUKOIL Group. In December 2021, the Board of Directors of PJSC LUKOIL approved the Strategic Development Program of LUKOIL Group for 2022–2031 that included, among other things, the Company's acceptable risk exposure. As the Group did not revise its development strategy in the reporting year, the specified acceptable risk exposure remained the same in 2023. In 2024, the Company plans to consider whether the matter of revising the risk appetite should be submitted to the Board of Directors.
2.1.4	The board of directors shall define the company's policy on remuneration and/or	1. The company has developed and put in place the policy (policies) on remuneration and/or reimbursement	√ Full	

	reimbursement (compensation) of costs incurred by members of the board of directors, executive bodies, and other key executives of the company.	(compensation) of costs incurred by members of the board of directors, executive bodies, and other key executives, approved by the board of directors. 2. In the reporting period, the board of directors reviewed at its meetings matters related to the said policy (policies).	☐ Partial ☐ None	
2.1.5	The board of directors shall play a key role in preventing, identifying, and settling internal conflicts between the company's bodies, shareholders, and employees.	1. The board of directors plays a key role in preventing, identifying, and settling internal conflicts. 2. The company has set up a system for identification of transactions involving a conflict of interest, and a set of measures to resolve such conflicts.	√ Full ☐ Partial ☐ None	
2.1.6	The board of directors shall play a key role in ensuring the company's transparency, the timeliness and completeness of its information disclosure, and unhindered access to the company's documents for shareholders.	1. In its internal documents, the company has designated the persons responsible for the implementation of its information policy.	√ Full ☐ Partial ☐ None	
2.1.7	The board of directors shall control the company's corporate governance practices and play a key role in its significant corporate events.	1. In the reporting period, the board of directors considered the results of self-assessment and/or external assessment of the company's corporate governance practices.	√ Full ☐ Partial ☐ None	
2.2	The board of directors shall be accountable to the company shareholders.			
2.2.1	Performance of the board of directors shall be disclosed and made available to the shareholders.	1. The company's annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings.	☐ Full √ Partial	Criterion 1 is not complied with. PJSC LUKOIL Annual Report for 2023 does not include information on individual attendance at the Board of Directors and Board Committee meetings due to non-disclosure of information about the

		2. The annual report contains key results of assessment (self-assessment) of the board of directors' work in the reporting period.	☐ None	composition of the Board of Directors in line with Resolution of the Russian Government No. 1102 dated July 4, 2023. Should the restrictions on information disclosure set forth in Resolution of the Russian Government No. 1102 dated July 4, 2023 be lifted, the Company plans to resume its usual practice of disclosing relevant information. Criterion 2 is complied with.
2.2.2	The chairman of the board of directors shall be available to communicate with the company's shareholders.	1. The company has in place a transparent procedure enabling shareholders to forward inquiries to the chairman of the board of directors (and, if applicable, to the senior independent director) and receive feedback.	√ Full ☐ Partial ☐ None	
2.3	The board of directors shall manage the company in an efficient and competent manner and make fair and independent judgements and decisions in line with the best interests of the company and its shareholders.			
2.3.1	Only persons with impeccable business and personal reputation, possessing the knowledge, skills, and expertise required to make decisions falling within the authority of the board of directors and to perform its functions efficiently, shall be elected to the board of directors.	1. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors in terms of having the required experience, knowledge, business reputation, absence of a conflict of interest, etc.	√ Full ☐ Partial ☐ None	
2.3.2	The company's board of directors shall be elected as per a transparent procedure enabling shareholders to receive information about nominees which is sufficient to get an idea of their personal and professional qualities.	1. Whenever the agenda of the general shareholders meeting included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of assessment of their professional qualifications, experience, and competencies against existing and expected needs of the company as carried out by the board of directors (or its	√ Full ☐ Partial	

		nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102–107 of the Code, as well as the information on whether there is the nominee's written consent to be elected to the board of directors.	☐ None	
2.3.3	The board of directors shall be balanced, including in terms of qualifications of its members, their experience, knowledge, and business qualities, and it shall have the trust of shareholders.	1. In the reporting period, the board of directors analyzed its needs in terms of professional qualifications, experience, and knowledge and identified competencies that the board of directors required in the short and long term.	√ Full ☐ Partial ☐ None	
2.3.4	The company has a sufficient number of directors to organize the board of directors' activities in the most efficient way, including the ability to set up committees of the board of directors and enable the company's significant minority shareholders to elect a nominee to the board of directors for whom they vote.	1. In the reporting period, the board of directors reviewed whether the number of members on the board of directors was in line with the company's needs and with the interests of shareholders.	√ Full ☐ Partial ☐ None	
2.4	The board of directors shall include a sufficient number of independent directors.			
2.4.1	An independent director shall be a person of sufficient professionalism, experience, and self-reliance to form his/her own opinion, able to make impartial judgements in good faith independent from the company's executive bodies, particular groups of shareholders, or other stakeholders. It should also be taken into account that in normal conditions a nominee (elected member of the board of directors) cannot be considered independent if he/she is related to the company, its significant shareholder or contractor, the company's competitor, or the government.	1. In the reporting period, all independent members of the board of directors met the independence criteria set forth in Recommendations 102–107 of the Code or were determined to be independent by resolution of the board of directors.	√ Full ☐ Partial ☐ None	

2.4.2	The compliance of nominees to the board of directors with the criteria for independence shall be assessed, and a regular review of compliance of independent members of the board of directors with such criteria shall be performed. Substance shall prevail over form in such assessments.	1. In the reporting period, the board of directors (or the nomination committee of the board of directors) formed its opinion on the independence of each nominee to the board of directors and presented respective opinions to shareholders. 2. In the reporting period, the board of directors (or the nomination committee of the board of directors) reviewed at least once the independence of the current members of the board of directors (following their election). 3. The company has developed procedures defining the actions to be taken by a member of the board of directors if he/she ceases to be independent, including the obligation to timely notify the board of directors thereof.	√ Full Partial None	
2.4.3	At least one third of the total elected number of members of the board of directors shall be constituted by independent directors.	1. At least one third of the total number of members of the board of directors is constituted by independent directors.	√ Full Partial None	
2.4.4	Independent directors shall play a key role in preventing internal conflicts in the company and in the performance by the latter of material corporate actions.	1. In the reporting period, independent directors (who did not have a conflict of interest) carried out a preliminary assessment of material corporate actions implying a possible conflict of interest, and the results of such assessment were presented to the board of directors.	Full √ Partial None	Criterion 1 is partially not complied with. The Company’s Charter includes no list of transactions or other actions deemed to be material corporate actions. In the context of absence of a uniform approach to defining “material corporate actions” in the Russian legislation, the Company intends to amend its internal documents alongside with amendments to the applicable laws. That said, the Company also organizes periodical meetings of its sole executive body with directors to brief them on the key aspects of the Company’s operations, including material transactions. This enables the directors to assess their decisions, including for possible conflicts of interest.

2.5	The chairman of the board of directors shall facilitate the best performance of assigned duties by the board of directors.			
2.5.1	The board shall be chaired by an independent director, or a senior independent director shall be chosen from among the elected independent directors to coordinate the activities of independent directors and enable the interaction with the chairman of the board of directors.	1. The board of directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors. 2. The role, rights, and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents.	☐ Full ☑ √ Partial ☐ None	Criterion 1 is not complied with. In the reporting year, the Chairman of the Company's Board of Directors was elected by a unanimous decision of the Board from among the non-executive directors with high professional qualifications, industry expertise, and experience in management positions in the Company. In the reporting year, a senior independent director was not chosen from among the independent directors, as the Company proceeded from the fact that all directors have equal rights and that independent directors did not propose to appoint a senior independent director. Criterion 2 is complied with.
2.5.2	The chairman of the board of directors shall maintain a constructive environment at meetings, enable free discussions of agenda items, and supervise the execution of resolutions passed by the board of directors.	1. The performance of the chairman of the board of directors was assessed as part of the procedure for assessing (self-assessing) the efficiency of the board of directors in the reporting period.	☑ √ Full ☐ Partial ☐ None	
2.5.3	The chairman of the board of directors shall take all steps necessary for the timely provision to members of the board of directors of information required to pass resolutions on agenda items.	1. The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to members of the board of directors of full and accurate information regarding items on the agenda of the board meeting.	☑ √ Full ☐ Partial ☐ None	
2.6	Members of the board of directors shall act reasonably and in good faith in the best interests of the company and its shareholders, relying on sufficient information, exercising due care and prudence.			

2.6.1	Members of the board of directors shall make decisions based on all information available, without conflict of interest, subject to equal treatment of the company shareholders, and assuming normal business risks.	1. The company's internal documents provide that a member of the board of directors shall notify the board of directors if he/she has a conflict of interest in respect of any item on the agenda of the board meeting or the board committee meeting, prior to the discussion of the relevant agenda item. 2. The company's internal documents provide that a member of the board of directors shall abstain from voting on any item in connection with which he/she has a conflict of interest. 3. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company.	√ Full Partial None	
2.6.2	The rights and obligations of members of the board of directors shall be clearly defined and set out in the company's internal documents.	1. The company has adopted and published an internal document clearly defining the rights and obligations of members of the board of directors.	√ Full Partial None	
2.6.3	Members of the board of directors shall have sufficient time to perform their duties.	1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was reviewed as part of the procedure for assessment (self-assessment) of the performance of the board of directors in the reporting period. 2. In accordance with the company's internal documents, members of the board of directors shall inform the board of their intentions to join governance bodies of other organizations (except for entities controlled by the company) or of the relevant appointment made.	√ Full Partial None	
2.6.4	All directors have equal access to the company's documents and information. Newly elected directors are furnished with sufficient information about the company and performance of the board of directors as soon as possible.	1. In accordance with the company's internal documents, members of the board of directors are entitled to have access to information and documents required for the performance of their duties regarding the company and entities under its control, and the company's executive bodies must provide relevant information and documents.	√ Full Partial	

		2. The company has in place a formalized induction program for newly elected members of the board of directors.	☐ None	
2.7	Meetings of the board of directors, preparation for such meetings, and participation of members of the board of directors shall ensure efficient performance by the board of directors.			
2.7.1	Meetings of the board of directors shall be held as needed, taking into account the scale of operations and goals of the company at a particular time.	1. The board of directors held at least six meetings in the reporting year.	√ Full ☐ Partial ☐ None	
2.7.2	Internal regulations of the company shall provide a procedure for the preparation and holding of the board meetings, enabling members of the board of directors to prepare for such meetings in a proper manner.	1. The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and sets out, in particular, that the notice of the meeting shall be given, as a rule, at least five days prior to such meeting. 2. In the reporting period, members of the board of directors not able to be present at the board meeting venue could participate in discussing agenda items and voting remotely via audio or video conferencing.	√ Full ☐ Partial ☐ None	
2.7.3	The format of the meeting of the board of directors shall be determined taking into account the importance of items on the agenda. The most important matters shall be dealt with at meetings of the board of directors held in person.	1. The company's charter or internal document provides for the most important matters (as per the list set out in Recommendation 168 of the Code) to be discussed at in-person meetings of the board of directors.	☐ Full √ Partial ☐ None	Criterion 1 is partially not complied with. The Regulations on the Board of Directors of PJSC LUKOIL list matters to be discussed only at in-person meetings of the Board of Directors. This list largely matches the list set out in Recommendation 168 of the Code; however, it reflects the existing practices of the Company's corporate governance and the distribution of roles among its governance bodies. For instance, due to the large number of the Company subsidiaries, coordination of their operations, including approvals of material transactions, are referred to the jurisdiction of the Company's sole executive body in order to increase the efficiency of the decision-making process.

2.7.4	Resolutions on the most important matters relating to the company's operations shall be passed at a meeting of the board of directors by a qualified majority or by a majority of all elected board members.	1. The company's charter provides for resolutions on the most important matters, including those set out in Recommendation 170 of the Code, to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected board members.	☐ Full ☑ √ Partial ☐ None	Criterion 1 is partially not complied with. The Company's Charter provides for resolutions on certain material matters within the scope of authority of the Board of Directors (such as an increase in the charter capital, or public offering by the Company of its bonds or other issue-grade securities) to be passed unanimously by all directors. The most essential matters brought up for approval by the Board of Directors are subject to preliminary discussion by core Committees of the Board of Directors, which ensures a unanimous approach to the final decision in most cases. In 2023, resolutions on the matters set out in paragraphs 1, 7, and 10 of Recommendation 170 of the Code were passed by the Company's Board of Directors by a majority of at least three quarters of all directors. The Board of Directors did not consider in 2023 any matters set out in paragraphs 2, 3, 4, 5, 6, 8, and 9 of Recommendation 170 of the Code.
2.8	The board of directors shall set up committees for preliminary consideration of the most important matters related to the business of the company.			
2.8.1	To preview matters related to controlling the company's financial and business activities, it is recommended to set up an audit committee comprised of independent directors.	1. The board of directors has set up an audit committee comprised solely of independent directors. 2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code. 3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analyzing, assessing, and auditing accounting (financial) statements.	☐ Full ☑ √ Partial ☐ None	Criterion 1 is partially not complied with. The Audit Committee of the Board of Directors is headed by an independent director, and independent directors make up the majority of its members (as permitted by the Listing Rules of PJSC Moscow Exchange), with a non-executive director also serving on the Committee.

		4. Meetings of the audit committee were held at least once a quarter during the reporting period.		The decision to include one non-executive director on the Committee was prompted by the Board's intention to distribute the workload associated with participation in the Committees more evenly among the directors, to ensure that their professional competencies are aligned with the Committees' functions, and to make better use of the potential and experience of non-executive directors. Should shareholders elect more independent directors to the Board of Directors, the Company will strive to form an Audit Committee comprised solely of independent directors. Criteria 2–4 are complied with.
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee shall be set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.	1. The board of directors has set up a remuneration committee comprised solely of independent directors. 2. The remuneration committee is chaired by an independent director who is not the chairman of the board of directors. 3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code, as well as the conditions (events) upon the occurrence of which the remuneration committee is to consider revising the company's policy on remuneration of members of the board of directors, executive bodies, and other key executives.	☐ Full ☑ Partial ☐ None	Criterion 1 is partially not complied with. The Company combines the functions of the remuneration committee and the nomination committee within the HR and Compensation Committee of the Board of Directors. The HR and Compensation Committee of the Board of Directors is headed by an independent director, and independent directors make up the majority of its members (as permitted by the Listing Rules of PJSC Moscow Exchange), with a non-executive director also serving on the Committee. The decision to include one non-executive director on the Committee was prompted by the Board's intention to distribute the workload associated with participation in the Committees evenly among the directors, to ensure that their professional competencies are aligned with the Committees' functions, and to make better use of the potential and experience of non-executive directors. Should shareholders elect more independent directors to the Board of Directors, the Company will strive to form an HR and Compensation Committee comprised solely of independent directors.

				Criterion 2 is complied with. Criterion 3 is partially not complied with. The functions and tasks of the HR and Compensation Committee of the Board of Directors, provided for by the Regulations on the HR and Compensation Committee of the Board of Directors of PJSC LUKOIL, include the tasks listed in Recommendation 180 of the Code, save for the task specified in paragraph 5 of Recommendation 180 – selection of an independent advisor on remuneration of members of executive bodies and other key employees. Until now, the Company has never engaged an independent advisor for such purposes and does not intend to do so in the short term. The Company believes that such engagement will involve additional time to be spent on preparing and sending all necessary information to the advisor, as well as additional financial expenses for the Company, and will eventually affect shareholders' income. However, the Company may engage such independent advisor should any significant shareholders express their interest. The HR and Compensation Committee of the Board of Directors regularly reviews at its meetings matters related to remuneration of the sole executive body and other key employees, which enables the Committee to oversee the introduction and implementation of the Company's policy on remuneration. The Regulations on the HR and Compensation Committee of the Board of Directors of PJSC LUKOIL do not explicitly define the conditions (events) upon the occurrence of which the Committee is to consider revising the Company's policy on remuneration of members of the Board of Directors, the sole executive body, and other key executives. At the same time, the Regulations set out that the HR and Compensation Committee of

				the Board of Directors of PJSC LUKOIL shall benchmark the Company's remuneration policies and programs for members of governance bodies against those of other companies and may revise the Company's remuneration policy for members of its Board of Directors and its sole executive body from time to time based on such benchmarking.
2.8.3	To preview matters related to talent management (succession planning), professional composition, and efficiency of the board of directors, a nomination (appointments, HR) committee shall be set up, predominantly comprised of independent directors.	1. The board of directors has set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee) predominantly comprised of independent directors. 2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code. 3. In the reporting period, the nomination committee, independently or jointly with other committees of the board of directors or the company's authorized shareholder relations unit, has engaged with shareholders, not limited to the largest shareholders, with regard to selecting candidates for the company's board of directors with a view to forming the board best suiting the company's goals and objectives.	☐ Full ☑ Partial ☐ None	Criterion 1 is complied with. Criterion 2 is partially not complied with. The Company combines the functions of the remuneration committee and the nomination committee within the HR and Compensation Committee of the Board of Directors. The functions and tasks of the HR and Compensation Committee of the Board of Directors, provided for by the Regulations on the HR and Compensation Committee of the Board of Directors of PJSC LUKOIL, include (with minor text revisions) the tasks listed in Recommendation 186 of the Code, save for the task set out in paragraph 4 of Recommendation 186 (description of individual duties of directors and the Chairman of the Board of Directors, including the time to be spent on the Company's activities, both inside and outside meetings, as part of scheduled and unscheduled work). Time commitments of the Company's directors considerably depend on the Board of Directors' and Committees' activity plans, the number of ad hoc meetings which cannot be predicted, and on involvement of a Director with one or more Committees, professional expertise, and a Director's term on the Board. Therefore, it was difficult in the reporting year for the Company to reliably assess time commitment to estimate general hours for all directors in the long

				term. Criterion 3 is complied with.
2.8.4	Taking into account the company's scale of operations and level of risks, the company's board of directors made sure that the composition of its committees is fully in line with the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety, and environment committee, etc.).	1. In the reporting period, the board of directors reviewed whether its structure was consistent with the scope, nature, goals, needs, and risk profile of the company and its operations. Additional committees were either set up or not deemed necessary.	√ Full Partial None	
2.8.5	Committees shall be composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	1. During the reporting period, the audit committee, the remuneration committee, and the nomination committee (or another relevant committee with combined functions) were headed by independent directors. 2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee (or another relevant committee with combined functions), and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.	√ Full Partial None	
2.8.6	Committee chairmen shall inform the board of directors and its chairman on the work of their committees on a regular basis.	1. During the reporting period, committee chairmen reported to the board of directors on the work of committees on a regular basis.	√ Full Partial None	
2.9	The board of directors shall ensure performance assessment of the board of directors, its committees, and members of the board of directors.			

2.9.1	The board of directors' performance assessment shall be aimed at determining the efficiency of the board of directors, its committees, and members, consistency of their work with the company's development requirements, as well as bolstering the work of the board of directors and identifying areas for improvement.	1. The company's internal documents define procedures for assessment (self-assessment) of the performance of the board of directors. 2. Assessment (self-assessment) of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual members of the board of directors, and the board of directors in general. 3. Results of assessment (self-assessment) of the board of directors' performance carried out in the reporting period were reviewed at the in-person meeting of the board.	√ Full Partial None	
2.9.2	Performance of the board of directors, its committees, and members shall be assessed regularly at least once a year. An external advisor shall be engaged at least once in three years to conduct an independent assessment of the board of directors' performance.	1. The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods.	√ Full Partial None	
3.1	The company's corporate secretary shall ensure efficient ongoing interaction with shareholders, coordinate the company's efforts to protect shareholder rights and interests, and support the activities of the board of directors.			
3.1.1	The corporate secretary shall have the knowledge, experience, and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	1. The biographical data of the corporate secretary (including information about age, education, qualifications, experience), as well as information about the positions in the governance bodies of other legal entities held by the corporate secretary for at least the last five years are published on the corporate website and in the company's annual report.	Full Partial √ None	Criterion 1 is not complied with. The above information is not published in the Company's Annual Report for 2023 or on its website, taking into account PJSC LUKOIL's general approach to disclosure of personal information of its key employees in 2023 driven by objective reasons of a geopolitical nature. In the future, the Company plans to resume its usual practice of disclosing information about the Corporate Secretary.
3.1.2	The corporate secretary shall be sufficiently independent of the company's executive	1. The company has adopted and published an internal document – regulations on the corporate secretary.	√ Full	*<u>Note.</u>* *In accordance with paragraph 5.1 of the Regulations on the Corporate Secretary of PJSC*

	bodies and have the powers and resources required to perform his/her tasks.	2. The board of directors approves the appointment, dismissal, and additional remuneration of the corporate secretary. 3. The company's internal documents stipulate the right of the corporate secretary to request and receive company documents and information from management bodies, structural divisions, and officers of the company.	☐ Partial ☐ None	*LUKOIL, the size of remuneration (official salary) of the Corporate Secretary is determined by the Board of Directors of PJSC LUKOIL; in accordance with paragraph 5.2 of the same, the cost of living adjustments and bonus payments for the Corporate Secretary are made in compliance with the Company's local regulations on remuneration, unless otherwise established by resolution of the Board of Directors.*
4.1	Remuneration payable by the company shall be sufficient to attract, motivate, and retain people with competencies and qualifications required by the company. Remuneration payable to members of the board of directors, executive bodies, and other key executives of the company shall be in compliance with the approved remuneration policy of the company.			
4.1.1	The amount of remuneration paid by the company to members of the board of directors, executive bodies, and other key executives shall create sufficient incentives for them to work efficiently while enabling the company to engage and retain competent and qualified specialists. At the same time, the company shall avoid unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company employees.	1. Remuneration of members of the board of directors, executive bodies, and other key executives of the company is determined based on the results of benchmarking the company's remuneration levels with those in peer companies.	√ Full ☐ Partial ☐ None	
4.1.2	The company's remuneration policy shall be devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, shall ensure control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	1. During the reporting period, the remuneration committee reviewed the remuneration policy (policies) and/or the practical aspects of its (their) introduction, evaluated their efficiency and transparency, and presented relevant recommendations to the board of directors with regard to its (their) revision as required.	√ Full ☐ Partial ☐ None	
4.1.3	The company's remuneration policy shall include transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies, and other key executives of the company and regulate all types of expenses, benefits, and privileges provided to such persons.	1. The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies, and other key executives of the company and regulates (regulate) all types of expenses, benefits, and privileges provided to such persons.	√ Full ☐ Partial ☐ None	

4.1.4	The company shall define a policy on reimbursement (compensation) of expenses detailing a list of reimbursable expenses and specifying service levels that members of the board of directors, executive bodies, and other key executives of the company can claim. Such policy can make part of the company's remuneration policy.	1. The remuneration policy (policies) or other internal documents of the company define the rules for reimbursement of costs incurred by members of the board of directors, executive bodies, and other key executives of the company.	√ Full Partial None	
4.2	The system of remuneration of members of the board of directors shall ensure alignment of financial interests of directors with long-term financial interests of shareholders.			
4.2.1	The company shall pay fixed annual remuneration to members of the board of directors. The company shall not pay remuneration for attending particular meetings of the board of directors or its committees. The company shall not apply any forms of short-term motivation or additional financial incentives for members of the board of directors.	1. During the reporting period, the company paid remuneration to members of the board of directors in line with the remuneration policy adopted by the company. 2. During the reporting period, the company did not apply any forms of short-term motivation or additional financial incentives for members of the board of directors linked to the company's performance results (indicators). The company did not pay remuneration for attending particular meetings of the board of directors or its committees.	√ Full Partial None	
4.2.2	Long-term ownership of the company shares shall help align the financial interests of members of the board of directors with long-term interests of shareholders to the utmost. At the same time, the company shall not link the right to dispose of shares to performance targets, and members of the board of directors shall not participate in stock option plans.	1. If the company's internal document(s) – the remuneration policy (policies) – stipulates (stipulate) provision of the company shares to members of the board of directors, clear rules for share ownership by board members shall be defined and disclosed, aimed at stimulating long-term ownership of such shares.	√ Full Partial None	
4.2.3	The company does not provide for any extra payments or compensations in the event of early termination of powers of members of the board of directors resulting from the change of control or any other reasons whatsoever.	1. The company does not provide for any extra payments or compensations in the event of early termination of powers of members of the board of directors resulting from the change of control or any other reasons whatsoever.	√ Full Partial None	
4.3	The company shall review its performance and the personal contribution of each executive to the achievement of such performance when determining the amount of remuneration payable to			

	members of executive bodies and other key executives of the company.			
4.3.1	Remuneration due to members of executive bodies and other key executives of the company shall be determined in a manner providing for reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.	1. In the reporting period, annual performance results approved by the board of directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the company. 2. During the latest assessment of the system of remuneration of members of executive bodies and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies efficient ratio of the fixed and variable parts of remuneration. 3. When determining the amount of remuneration due to members of executive bodies and other key executives of the company, account is taken of the risks incurred by the company in order to avoid encouraging unreasonably risky management decisions.	√ Full Partial None	
4.3.2	The company shall put in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company shares (options and other derivative instruments where the company shares are the underlying asset).	1. If the company has in place a long-term incentive program for members of executive bodies and other key executives of the company with the use of the company shares (financial instruments based on the company shares), the program implies that the right to dispose of shares and other financial instruments used in this program shall take effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets.	Full √ Partial None	Criterion 1 is partially not complied with. The Company has in place the Long-Term Incentive Program for Key Employees of LUKOIL Group for 2023–2025 containing different incentive conditions. That said, the long-term incentives set out in the Regulations on the Long-Term Incentive Program for Key Employees of LUKOIL Group for 2023–2025 are intended to build an interest in the Company's long-term performance among key employees, enhance its investment case, create shareholder value, and encourage the improvement of the Company's corporate governance.

4.3.3	The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, shall not exceed the double amount of the fixed part of their annual remuneration.	1. In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration.	√ Full Partial None	
5.1	The company shall put in place an effective risk management and internal control system providing reasonable assurance in the achievement of the company's goals.			
5.1.1	The company's board of directors shall determine the principles of, and approaches to, organizing a risk management and internal control system in the company.	1. Functions of different management bodies and units of the company in the risk management and internal control system are clearly defined in the company's internal documents / relevant policy approved by the board of directors.	√ Full Partial None	
5.1.2	The company's executive bodies shall ensure establishment and continuous operation of an efficient risk management and internal control system in the company.	1. The company's executive bodies ensured the distribution of functions, powers, and responsibilities related to risk management and internal control between the heads (managers) of units and departments accountable to them.	√ Full Partial None	
5.1.3	The company's risk management and internal control system ensures an objective, fair, and clear representation of the current state of the company and its future prospects, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.	1. The company has in place the anti-corruption policy. 2. The company has arranged for safe, confidential, and accessible means (hotline) of notifying the board of directors or the board's audit committee about violations of the law, the company's internal procedures, and code of ethics.	√ Full Partial None	

5.1.4	The company's board of directors shall take necessary measures to make sure that the company's risk management and internal control system is consistent with the principles of, and approaches to, its organization determined by the board of directors and that the system is functioning efficiently.	1. In the reporting period, the board of directors (the audit committee and/or risk committee (if any)) assessed the reliability and efficiency of the company's risk management and internal control system. 2. In the reporting period, the board of directors reviewed the results of the assessment of the reliability and efficiency of the company's risk management and internal control system. The information on the key results of this assessment is included in the company's annual report.	√ Full Partial None	
5.2	The company shall perform internal audit for the regular independent assessment of the reliability and efficiency of the risk management and internal control system and corporate governance.			
5.2.1	The company shall set up a separate business unit or engage an independent external organization to carry out internal audits. The functional and administrative subordination of the internal audit unit shall be separated. The internal audit unit shall functionally report to the board of directors.	1. To perform internal audits, the company has set up a separate internal audit unit functionally reporting to the board of directors or engaged an independent external organization under the same principle of subordination.	√ Full Partial None	
5.2.2	The internal audit unit shall assess the reliability and performance of the risk management and internal control system and corporate governance. The company shall apply generally accepted standards of internal audit.	1. In the reporting period, the reliability and performance of the risk management and internal control system was assessed as part of the internal audit procedure. 2. In the reporting period, internal audit assessed corporate governance practices (individual practices), including information interaction procedures (among them those related to internal control and risk management) at all management levels of the company, as well as interaction with stakeholders.	√ Full Partial None	
6.1	The company and its business shall be transparent for shareholders, investors, and other stakeholders.			

6.1.1	The company shall develop and adopt an information policy ensuring an efficient exchange of information between the company, its shareholder, investors, and other stakeholders.	1. The company's board of directors approved an information policy developed in accordance with the Code's recommendations. 2. The board of directors (or one of its committees) reviewed matters related to the efficiency of communication between the company, shareholders, investors, and other stakeholders and feasibility (need) of revising the company's information policy in the reporting period.	√ Full Partial None	
6.1.2	The company shall disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.	1. The company discloses information on its corporate governance system and general principles of corporate governance applied in the company, in particular, on the corporate website. 2. The company discloses information on the composition of executive bodies and the board of directors, independence of board members, and their membership in the board committees (as defined in the Code). 3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out the latter's plans for the company's corporate governance.	Full √ Partial None	Criterion 1 is complied with. Criterion 2 is not complied with. The Company's Charter does not provide for a collective executive body. Information on the composition of the Company's Board of Directors, the independence of Board members, and their membership in the Board Committees is not disclosed in line with Resolution of the Russian Government No. 1102 dated July 4, 2023. Should the restrictions on information disclosure set forth in Resolution of the Russian Government No. 1102 dated July 4, 2023 be lifted, the Company plans to resume its usual practice of disclosing relevant information. Criterion 3 cannot be applicable as the Company does not have a controlling person.
6.2	The company shall make timely disclosures of complete, updated, and reliable information to allow shareholders and investors to make informed decisions.			
6.2.1	The company shall disclose information based on the principles of regularity, consistency, and promptness, as well as availability, reliability, completeness, and comparability of disclosed data.	1. The company defines the procedure for the coordination of all of the company's business units and employees that are involved in disclosure or whose activities may result in the need to disclose information. 2. If the company securities are traded on foreign regulated markets, the company shall ensure concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting period.	√ Full Partial None	

		3. If foreign shareholders hold a significant amount of the company shares, during the reporting year, information was disclosed not only in the Russian language, but also in one of the most widespread foreign languages.		
6.2.2	The company shall strive to avoid a formalistic approach to information disclosure and to disclose material information about its operations even if such disclosure is not required by law.	1. The company's information policy defines approaches to identification of information about other events (actions) that can have a material impact on the company's valuation and the price of its securities and that is not required to be disclosed by law. 2. The company discloses information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the corporate website. 3. The company shall disclose information on controlled legal entities that are material to it, including key areas of their operations, mechanisms for ensuring accountability of controlled legal entities, and powers of the company's board of directors to determine the strategy and assess the performance of controlled legal entities. 4. The company discloses a non-financial report – a sustainability report, environmental report, corporate social responsibility report, or another report containing non-financial information, including factors related to the environment (including environmental factors and factors related to climate change), society (social factors), and corporate governance, except for the issuer's report and the annual report of a joint stock company.	☐ Full √ Partial ☐ None	Criteria 1 and 2 are complied with. Criterion 3 is partially not complied with. Based on Resolution of the Russian Government No. 1102 dated July 4, 2023, the Company does not disclose information on controlled legal entities that are material to the Company. Should the restrictions on information disclosure set forth in Resolution of the Russian Government No. 1102 dated July 4, 2023 be lifted, the Company plans to resume its usual practice of disclosing relevant information. Criterion 4 is complied with.
6.2.3	The annual report, as one of the most important tools of information exchange with shareholders and other stakeholders, shall contain information enabling assessment of the company's performance in the reporting year.	1. The company's annual report contains information on the result of the audit committee's assessment of internal and external audit effectiveness. 2. The company's annual report contains information on the environmental and social policies of the company.	☐ Full √ Partial ☐ None	Criterion 1 is partially not complied with. The Audit Committee of PJSC LUKOIL's Board of Directors assesses the effectiveness of the external audit process when reviewing material issues arising in the course of the independent external audit, as well as when assessing the opinion of the Company's auditor for its presentation to shareholders in preparation for the Annual General Shareholders Meeting, based on which it makes

				recommendations to the Board of Directors regarding the auditor selection and its subsequent approval by the General Shareholders Meeting. The Audit Committee assesses the effectiveness of the internal audit process by reviewing the report on performance of the annual audit and consulting engagements plan of the Internal Audit Service of PJSC LUKOIL and on internal audits. Information on the Audit Committee's review of the above issues is available in the Company's Annual Report for 2023. The Audit Committee did not assess the effectiveness of the external audit process separately, and therefore the results of this assessment were not included in the Company's Annual Report, since it is outside the remit of the Audit Committee as per Section 3 of Recommendation 172 of the Code (which provides for effectiveness assessment of the internal audit function). Criterion 2 is complied with.
6.3	The company shall provide information and documents as per the requests of shareholders in compliance with principles of fairness and ease of access.			
6.3.1	Shareholders' exercise of their rights of access to the company's documents and information is not cumbersome.	1. The company's information policy (internal documents establishing the information policy) establishes non-cumbersome procedure for providing shareholders with easy access to the company's information and internal documents as requested by shareholders. 2. The company's information policy (internal documents establishing the information policy) contains provisions stipulating that if a shareholder requests information on legal entities controlled by the company, the company shall take the necessary steps to obtain such information from the relevant legal entities controlled by the company.	☐ Full ☑ √ Partial ☐ None	Criterion 1 is complied with. Criterion 2 is partially not complied with. When providing information requested by shareholders, the Company is guided by Article 91 of the Federal Law On Joint Stock Companies that provides for no obligation of the Company to share information on legal entities controlled by it with its shareholders. The majority of PJSC LUKOIL subsidiaries, including those material to the Company, have their own websites which describe their operations. These websites can also be accessed via PJSC LUKOIL's official website.

6.3.2	When providing information to shareholders, the company shall ensure reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitiveness.	1. In the reporting period, the company did not refuse shareholders' requests for information, or such refusals were justified. 2. In cases defined by the company's information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality.	√ Full Partial None	*<u>Note.</u>* *The Regulations on the Information Policy of PJSC LUKOIL include a reference to the Regulations on Provision of Information to Shareholders of PJSC LUKOIL which contain provisions prescribed by criterion 2.*
7.1	Actions that significantly impact or may significantly impact the share capital structure or financial condition of the company and, respectively, shareholders position (material corporate actions) shall be fairly executed providing observance of the rights and interests of shareholders and other stakeholders.			
7.1.1	Material corporate actions shall include restructuring of the company, acquisition of 30 percent or more of the company's voting shares (takeover), execution by the company of significant transactions, increase or reduction of the company's charter capital, listing or delisting of the company shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The company's charter shall provide a list (criteria) of transactions or other actions classified as material corporate actions pertaining to the competence of the board of directors of the company.	1. The company's charter provides for a list (criteria) of transactions or other actions classified as material corporate actions. Resolutions on material corporate actions are referred by the company's charter to the competence of the board of directors. When execution of such corporate actions is expressly referred by law to the competence of the general shareholders meeting, the board of directors presents relevant recommendations to shareholders.	Full √ Partial None	Criterion 1 is partially not complied with. The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4). The decision-making procedure (procedure for referring such decisions to the competence of the Board of Directors or the General Shareholders Meeting under the Company's Charter or relevant laws) recommended by the Code is met with respect to most corporate actions that are deemed by the Code to be material corporate actions. Following the established practices, when addressing the matter of preparing for and holding the General Shareholders Meeting of the Company, the Board of Directors approves the Board of Directors' position and recommendations for shareholders for voting on all agenda items, including those which may be classified as material corporate actions. There are inconsistencies with the Code's recommendations with respect to transactions involving controlled legal entities, which are specified in Recommendation 307 of the Code and which the Code recommends to refer to the Board of Directors. Due to the large number of the Company subsidiaries, coordination of their operations, preliminary approval of their decisions regarding

				stakes in other entities, as well as decisions on acquiring subsoil licenses, which may result in investments exceeding an amount in rubles equivalent to USD 150 million, decisions to approve material transactions by the Company subsidiaries and decisions on acquisition and disposal of equity interests in other entities are referred by the Charter to the competence of the Company's sole executive body. The Company also notes that the term "controlled legal entity material to the company" used in Recommendation 307 of the Code is used in applicable Russian laws only for disclosure purposes. Therefore, until this term is consolidated in the corporate law, the Company's Charter cannot refer this matter to the competence of the Board of Directors.
7.1.2	The board of directors shall play a key role in making decisions or working out recommendations regarding material corporate actions relying on the opinions of the company's independent directors.	1. The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.	☐ Full ☑ Partial ☐ None	Criterion 1 is partially not complied with. The Company's Charter includes no list of transactions or other actions deemed to be material corporate actions (see also the note to paragraph 2.4.4). At the same time, in accordance with procedures provided for by the Regulations on the Board of Directors of PJSC LUKOIL, all members of the Board of Directors may participate in debates, put forward proposals, make comments, and speak on the substance of the matter under discussion.
7.1.3	When taking material corporate actions affecting the rights and legitimate interests of shareholders, equal terms and conditions shall be ensured for all shareholders of the company, and, in case of insufficient statutory mechanisms for protecting shareholder rights, additional measures shall be taken to protect the rights and legitimate interests of the company shareholders. In doing so, the company shall be guided by the corporate governance principles set forth in the	1. Taking into account the specifics of the company's operations, the company's charter refers approval of transactions other than those stipulated by the law and deemed material for the company to the board of directors. 2. In the reporting period, all material corporate actions were subject to the approval procedure prior to execution.	☑ Full ☐ Partial ☐ None	

	Code, as well as by formal statutory requirements.			
7.2	The company shall execute material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when performing such actions.			
7.2.1	Information about material corporate actions shall be disclosed with explanations of the grounds, circumstances, and consequences.	1. If the company performed material corporate actions in the reporting period, the company in due time and in detail disclosed information about such actions, including the grounds for such actions and their circumstances and consequences for shareholders.	√ Full Partial None	
7.2.2	Rules and procedures related to material corporate actions taken by the company shall be set out in the company's internal documents.	1. The company's internal documents provide for cases and procedure for engaging an independent appraiser to determine the value of the property disposed of or acquired pursuant to a major transaction or an interested-party transaction. 2. The company's internal documents provide for the procedure for engaging an independent appraiser to assess the value of the company shares at their repurchase or redemption. 3. If there is no formal interest of a member of the board of directors, the sole executive body, a member of the collective executive body of the company, a person who is a controlling person of the company, or a person entitled to give the company instructions binding on the company, in the company's transactions, but there is a conflict of interest or other actual interest, the company's internal documents stipulate that such persons may not participate in the voting on the approval of such transaction.	Full √ Partial None	Criterion 1 is complied with. Criterion 2 is complied with. Criterion 3 is partially not complied with. The Regulations on the Board of Directors of PJSC LUKOIL instruct directors to: – notify the Board of Directors of any conflict of interest they may have in respect of any item on the agenda of the Board meeting or the Board Committee meeting, prior to the discussion of the relevant agenda item – abstain from voting on any item in connection with which they have a conflict of interest. The above instructions for directors enable the Board of Directors to make unbiased decisions and help restrict decision making for directors whose stance may be affected by circumstances not formalized in the applicable law. The sole executive body of the Company is not a member of the Company's Board of Directors and therefore cannot vote on the matter of approving transactions for formal reasons. There are no shareholders of PJSC LUKOIL who are controlling persons of the Company or persons

				entitled to give the Company instructions binding on the Company. The Company's Charter does not provide for a collective executive body.

Appendix 2.
Major and Interested Party Transactions

THE LIST OF TRANSACTIONS MADE BY PJSC LUKOIL IN 2023 AND RECOGNIZED AS MAJOR TRANSACTIONS IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES

In 2023, PJSC LUKOIL did not perform any transactions that are recognized as major transactions in accordance with the Federal Law On Joint Stock Companies.

THE LIST OF TRANSACTIONS MADE BY PJSC LUKOIL IN 2023 AND RECOGNIZED IN ACCORDANCE WITH THE FEDERAL LAW ON JOINT STOCK COMPANIES AS INTERESTED PARTY TRANSACTIONS IS NOT DISCLOSED IN ACCORDANCE WITH REGULATION NO. 1102 OF THE GOVERNMENT OF THE RUSSIAN FEDERATION OF 4 JULY 2023.